THE MAGAZINE OF WALL STREET

SEPTEMBER 16, 1933

What's Ahead for the Market?

By A. T. MILLER

Uncle Sam Safeguards the Investor

By CHARLES H. MARCH
Chairman, Federal Trade Commission

Stocks Out of the Red Into the Black

By The Magazine of Wall Street Staff

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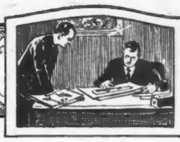
WITH THE EDITORS



Protect Your Interests

THE painful losses of the depression have had one beneficial result which is beginning to show itself in positive form. Investors and the public generally have become far more alert and watchful as regards financial and corporate developments. We are not speaking of uninformed and prejudiced criticism of "Wall Street" and of the Stock Exchange. Of this there has been plenty.

Those who have authority over our markets have taken various important steps to protect the public from abuses. Gradually the regulations of the Stock Exchange have been tightened, enforcing more conservative brokerage house policies and requiring improved standards of accounting and more frequent, as well as more detailed, publicity from corporations whose securities are listed. The Federal Securities Act, placing rigid restrictions and qualifications upon the sale of new securities, has been adopted for the investor's protection.

The practice of fraud of any kind has been made difficult. It is worth pointing out, however, that only a fractional portion of the heavy losses of recent years can possibly be blamed upon deliberate fraud or deceit. So far as losses are concerned, the remedies outlined above do not go to the heart of the matter. Most mistakes of corporate management are founded upon fallible human judgment. No amount of legislation or Stock Exchange rules can protect stockholders as effectively as they can protect themselves by intelligent organization.

The present mood of stockholders generally points to progress along this line. There have been two recent examples of it. The management and bankers of Armour & Co. of Illinois drew up and sought to put through a plan of capital readjustment and simplification. We need not consider the merits or faults of this plan. What is of interest is that a group of minority shareholders offered aggressive and intelligent criticism of and opposition tc the proposal, with the result that it was withdrawn.

The second example is the recent incorporation of the Montgomery Ward Stockholders' Association in Illinois. Its announced purpose is "to place on the board of directors men of greater experience in the company's field, with a view to improving earnings." The movement appears to be led by several stockholders of reputable business and industrial standing. They may or may not have cause for criticism. We do not profess to know. The point of interest is that they have adopted an intelligent method of protecting what they believe to be their best interests. If they can offer any suggestions of practical value their intervention will justify itself.

Destructive criticism will do no good. What is needed is constructive criticism. The carelessness with which stockholders sign virtually any proxy that arrives in the mail is to be deplored. Look out for yourself!

In The Next Issue

Business Recovery Now Hinges on Consumption

—Will the drive to force consumption be successful enough to speed up industry?

—What do the forward orders for fall and spring delivery show?

By THEODORE M. KNAPPEN

This article analyzes the orders on the books of the manufacturers as well as the possibilities for retail trade this fall. It is one of the most practical and important articles we have published this year and is particularly timely in view of the present lull in business activity.

The Real Facts About the Gold Stocks

By J. C. CLIFFORD

To what extent will the gold mining companies benefit by the free gold market? How will they be affected by France's departure from the gold standard? When stability of currencies is ultimately achieved how will gold fare in the revaluation and in the inevitable international contest to acquire the metal? Are these possibilities discounted in the present price of gold shares? Some are selling on a far more conservative basis than others. This article tells you why and points out the prospect and the opportunities.

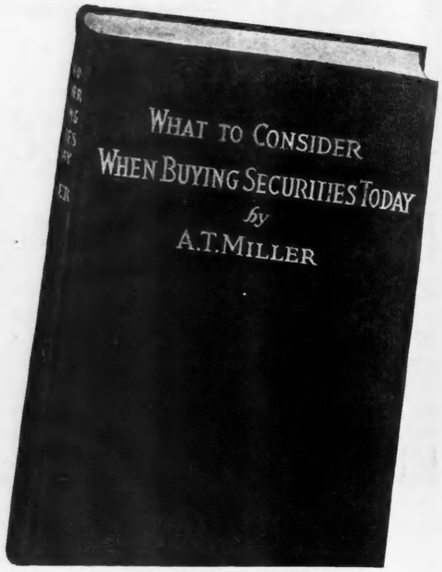
Sound Equities for Safety, Income and Profit

Specially Selected by The Magazine of Wall Street Staff

This feature analyzes stocks which are candidates for your investment backlog. Selections will be made from the best managed and strongest companies in leading industries which have promise of continuing to afford a fair return and whose business prospects are such as to warrant the expectation of substantially higher values.

Profit Now by Removing the Guesswork from Your Investments

Timely, practical and simple—the principles set forth in this new book can be equally profitable to the newer investor and the experienced trader alike. They remove guesswork and provide a direct and usable investment technique particularly adapted to today's markets.



What to Consider When Buying Securities Today

By A. T. MILLER

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Here, the author of The Magazine of Wall Street's *fortnightly market forecast* explains this whole profitable subject so that it may be readily understood and its methods applied to the individual needs of various investors. Beginning with a practical discussion of the pros and cons of practical dynamic economics, he takes the reader through the important phases of currency and credit inflation. Then he discusses the advantages and disadvantages of various types of securities as a result of the current business situation, together with the factors to be considered in taking advantage of speculative and investment opportunities in bonds, preferred and common stocks. The entire field of investment and profit opportunities are covered, and include valuable pointers in detecting buying, selling and switching signals.

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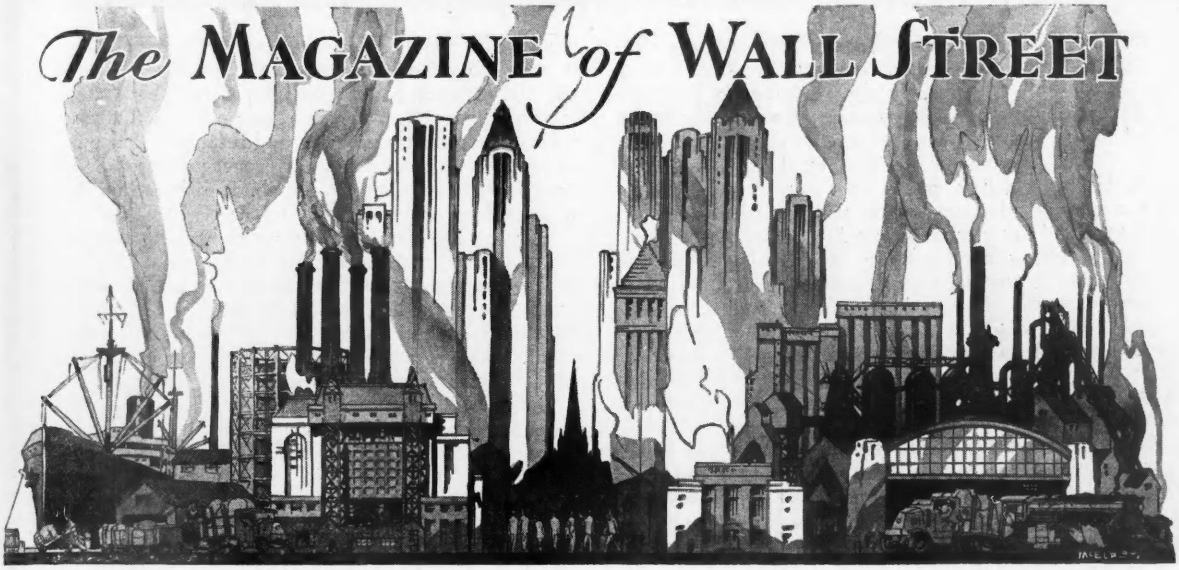

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Associate Editor

The Trend of Events

— *The Missing Link*

— *Up to the Consumer*

— *New Financing*

— *Recovery Must Be Financed*

— *The Gold Order*

THE MISSING LINK

REVIVAL in business activity thus far has centered very largely in consumption goods. Only mild stimulation has been felt in the heavier industries dealing with durable or production goods. In particular, construction, while up from a point not far removed from zero, still lags at a level of extreme depression. Its present volume is no more than one-fifth of what formerly was regarded as normal. Consumption industries, dealing in necessities of daily life, are relatively stable in good times or bad. The fluctuations of the heavy industries, making durable or capital goods, have always in the past been the most important influence making for prosperity or depression. This fact is of arresting concern, even to those who most fervently hope that the New Deal will lead us eventually to better ways and times.

Nor has it been overlooked by Washington in its broad effort to spread purchasing power, to raise prices of depressed raw materials and to bring back prosperity. It was in tacit recognition of the missing link —construction—that Congress authorized 3,300 millions of dollars to be expended on public works. This was to fill the gap left by the absence of private construction and to act as a business primer. Nearly half of the authorized sum has been appropriated, without yet causing a noticeable ripple in the heavy industries. Secretary Ickes is making a praiseworthy effort to speed up projects thus financed.

At best, however, much of the expenditure will be spread over several years, for it is not humanly possible to complete some of the chief undertakings, such as the Tri-Borough Bridge in New York City and a new vehicular tunnel under the Hudson River, in less than four or five years. The Administration is well aware of the difficulties. The "Brain Trust" is thinking hard to devise some program of artificial stimulation for that all-important section of industry which is not participating proportionately in revival and for which N R A can do little or nothing. Short of a vast extension of credit or subsidy by the Government itself in the interest of revival of construction, it is difficult to see any practical solution. The 3,300 millions for public works, although a large addition to the national debt, will do some good. Yet it is a drop in the bucket in comparison with the normal annual volume of production industries.

UP TO THE CONSUMER

IN the hands of Johnny Consumer, for whose benefit President Roosevelt chiefly is laboring, now lies the answer to that vexing question that all business is asking: to wit, will there be an early autumn extension of the basic economic revival? Production had done its bit by mid-July, piling up plentiful stocks under the spur of advancing prices and the promise of enlarged and broadened purchasing power. Production now is resting, waiting to see how existing stocks will move in the autumn season recently opened. If public buying at the higher price level is in satisfactory volume, factory wheels will again turn faster and goods will be made in quantity for next spring. The evidence thus far is favorable, but not conclusive. Current dollar sales of department stores and chain store systems are reported anywhere from 10 to 30 per cent above the level of a year ago. Larger payrolls and higher farm prices have added fully 5 billions of dollars to the national income. Soon the N R A "Buy Now" campaign will be in full swing, exhorting consumers in the interest of the Nation's welfare—and therefore of their own—to flock to the stores and buy. We doubt that Johnny Consumer needs to be urged in this fashion. He is a free spender when he has it.

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NEW FINANCING

THINGS have happened to the new capital market. Once it played a major part in the expanding phase of the business cycle. Now it is deader than the proverbial doornail. Even in depression there is normally a large accumulation of surplus funds, a potential reservoir of renewed investment. Owners of this capital in the past could be counted on to shake off timidity and put it to work at the first sign of a basic turn for the better in the economic picture. A large portion of such savings went into new securities—usually corporate bonds in the early stage of business revival. Now, however, public offerings of new securities are at a minimum. Admittedly, the need for fresh capital expansion is far less than after past depressions. Few corporations are in need of enlarged facilities. New enterprises of any size are not numerous. Yet there are other reasons. For one thing, the capital market remains timid and uncertain while the threat of inflation lurks over it. For another, the Federal Securities Act imposes severe, even though well merited, restrictions on the promotion of new offerings. For some time to come, therefore, new security issues will be confined to such municipalities as have borrowing power left and to the Federal Government, whose borrowing power thus far remains unquestioned.

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RECOVERY MUST BE FINANCED

IF business revival is to make further progress, carrying payrolls and purchasing power upward in its march, the wheels of industry and commerce must be more liberally larded with the grease of credit. We have never had prosperity without expansion of bank credit. Without bank credit, or its equivalent, we are not likely to have it now. President Roosevelt and Chairman Jones of the Reconstruction Finance Corporation have urged American bankers in the strongest possible terms to get behind the recovery program by liberalizing their lending policies within the limits of proper prudence. Sound banks which need capital can obtain it by selling limited-dividend preferred stock to the R. F. C.

In some localities, of course, the banking structure has not yet been repaired; but on the whole it is not lack of capital or surplus reserves which is keeping banks from expanding commercial credit. The question of what constitutes a sound loan is a matter of nice judgment. Bankers are yet smarting from public criticism of past lending policies. Moreover, while some Federal officials urge liberalized lending, their pleas are accompanied by no relaxation of close scrutiny in national bank examination. For banks a particularly knotty problem is presented in judging the soundness of credit risk assumed in financing the increased operating costs resulting from the N R A codes. In many individual cases such risk no doubt will prove safe. In others, including marginal enterprises, the hazard would be real. Accordingly, it would seem that the best method would be a combined effort by banks and the Government to extend credit. Through the R. F. C. and other Federal agencies Uncle Sam has already gone into the banking business on a rather extensive scale. Perhaps this form of credit can be extended to N R A cripples. Whether marginal enterprises should be saved is open to question. If so, it is understandable that the banks prefer to let Uncle Sam do it.

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THE GOLD ORDER

THE excitement over the Presidential order permitting the exportation of newly mined gold via the Treasury and the Federal Reserve banks was short-lived, for careful appraisal found it to be without important immediate significance. It is, of course, of great benefit to domestic miners of gold because they now obtain some 50 per cent more for their product than the statutory price. Instead of $20.67 an ounce, they obtain nearly $30. On the other hand, it hits those who use gold in the arts and industry, for they must now pay for the metal 50 per cent more than they previously paid. Yet, the new order is not without physchologically inflationary characteristics. Previously, when one wished to measure the gold value of the dollar it meant going all the way to London for a quotation and then a trip back via dollar/sterling exchange. This made the dollar's depreciation a fairly remote thing for most of us. But now with the Treasury shouting from the housetops every day that gold is worth $30 an ounce, when everyone has been brought up to think it was worth only $20 an ounce, the facts can hardly be ignored. Also, it is significant perhaps that our miners of gold were not permitted to export directly but had to put up with a complicated hocus-pocus with the Treasury and the Federal Reserve banks. So, while in effect there is a "free market" for gold as far as our miners are concerned, the Government has the reins firmly in hand.

As I See It — By Charles Benedict

When Should Inflation Come?

CONGRESS convenes in January. If the President intends to translate the inflation threat to an actuality, he has therefore less than four months to exercise his powers free from the restraint or the urging of the legislative body.

What is there that will force his hand? At home, little at the moment—the threat alone having been effective and rapid enough in its influence. But from abroad there is more that may accelerate the process and make devaluation a more urgent necessity. There are indications that Great Britain is taking the lead and has already moved in that direction.

When Neville Chamberlain announced that the pound was no longer to be pegged to other currencies he apparently meant that sterling is to be allowed to seek its own level. Recently the pound, which had been stable for months in terms of francs has been going down and gold as measured in the more-or-less free market in London has been going up. It may well be that such a policy may mean that Britain is yielding to the growing clamor for revaluation in which the process of allowing the currency to find its true value in terms of other exchanges is the first step. If Britain pursues such a course, passing through devaluation to an eventual stability, it cannot be expected that the few countries remaining on gold can long withstand the pressure. The smaller countries such as Switzerland or Holland might be forced to give up first, but France would capitulate ultimately. Her parliament, which convenes shortly, will have to meet a huge budgetary deficit by mid-October and the demands of her debtor classes at home, coupled with the urging of her colonies, may well result in her departure from the gold standard, to which she has clung so long and tenaciously, and a revaluation of the franc. The whole world would then be off gold.

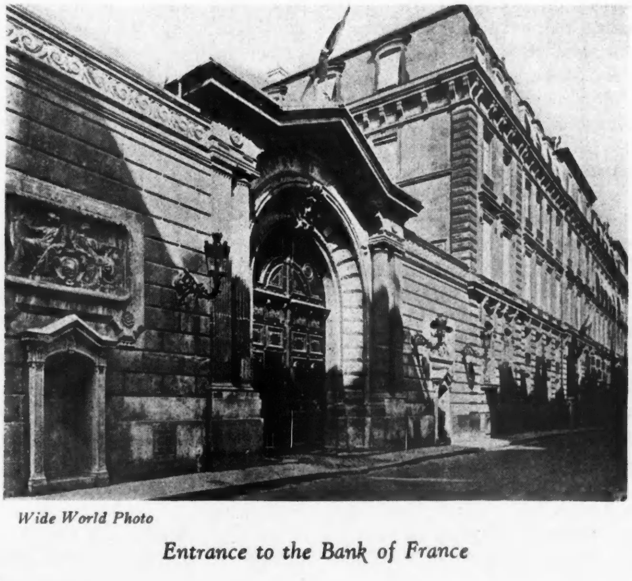
Consider our position under such circumstances as the possessors of the largest portion of the world's gold—a supply unappraisable except in a foreign market. Would we not be forced to declare a free market for the metal in order to arrive at its worth and hence the gold value of our own currency? Moreover, our nationalism is not such that we can utterly disregard foreign trade; and if the commercial nations of the world embark on a program of devaluing their currencies we would be forced to follow suit if we hoped to maintain our foreign markets.

If the sequence of events is reversed the results are much the same. If the President deems it wise to cut the gold content of the dollar in the near future, France would inevitably be driven from the gold standard. Our devalued dollar would enable us to undersell her in the markets which are vital to her and her exports to this country would be curtailed if not wiped out. In addition, so soon as our devaluation process was complete and stability of the dollar was evident French money would seek investment here and American capital which has taken flight to France, Switzerland and elsewhere would seek repatriation, with a consequent outflow of gold which could only be stemmed by restrictions leading to actual desertion of the gold standard and subsequent devaluation of currencies.

Thus, it makes little difference whether devaluation sets in on the continent and the gold standard is forsaken by the few countries still on it, or whether our own inflationary process, and subsequent stability, forces these countries off gold and compels world monetary reappraisals.

Whatever the order of events, the result is the same—even to the final outcome which, after all, offers a bright gleam of hope in a baffling and bewildering situation. Though all countries go off gold, the metal will lose none of its preciousness nor will its significance as a monetary base be impaired. It will continue to be the fundamental measure of value and as such will be sought and hoarded as avidly as now or ever. Why? Because the conviction will not down that the very desertion of gold as the monetary standard the world around will generate the necessary urge to stabilize fluctuating currency values. In other words, universal defection from gold will result in a veritable scramble to get back on the traditional standard whether it be on the old basis or on the basis of new currency appraisals.

To us the prospect is not fearful—if devaluation becomes a fact it can little more than confirm the world appraisal of the dollar—now at 68 cents. The limit to which the President can go under his present power is only 18 cents more.



Wide World Photo

Entrance to the Bank of France

¶ *Price Trend Influenced More and More by Current Business Progress with Retail Sales as Critical Indicator at Present*

¶ *Will Present Lethargy in Securities Give Way to Renewed Vigor as Autumn Advances?*

What's Ahead for the Market?

By A. T. Miller

We recommend that long-term and intermediate commitments be retained on the prospect of eventually higher prices, even if it should develop that hopes of fresh stimulation during the current month may have to be deferred while pending uncertainties as to the outcome of the N R A program and of the Government's effort to stimulate expansion of bank credit are clarified. Reactionary periods during this phase of uncertainty are likely to prove opportune for discriminating purchases, both long-term and intermediate, by those whose funds available for stock investment are not now fully committed.

THE stock market continues to reflect an underlying mood of hopefulness. It has not given up expectation of a renewed advance in general business activity within the autumn season. It has not put out of mind the inflationary potentialities which it has good reason to believe may be lurking just over the economic horizon.

But while prevailing sentiment as to the major trend of share prices may thus be said to be unchanged, there has been at least a temporary change of expectation as to the prospect for the immediate future. For this there is obvious reason. The market's technical position after the drastic July shakeout was so favorable that stocks advanced with considerable ease on light volume for several weeks, maintaining an irregular but persistent recovery during the greater part of August. Liquidation on any important scale was absent. Many strong equities met with discriminating investment demand. Others responded favorably to buying by the professional speculative element.

Buying Hesitates

No dynamic public speculation was required to put numerous stocks to new highs for the year. Indeed, the industrial and railroad groups succeeded in quietly climbing to a level within very few points of the extreme top of the wild July movement. It was to be expected that buying would hesitate around that higher level and that some fresh impulse or stimulation would be needed for a general upsurge into new high territory for the "Roosevelt bull market."

That impulse, as it happened, was not forthcoming. Public speculative interest continued to lag. Several basic indexes continued to relapse in more than seasonal fashion. Washington, concentrating on the N R A program, took its mind at least temporarily off of the question of monetary manipulation. The technical structure had been to some extent impaired by several weeks of creeping advance. There were available profits for traders to take. For all of these reasons the immediate effort to launch a post-Labor Day advance was given up and most participants apparently chose to adopt an attitude of watchful waiting. At this writing a week has been given over to slow and irregular decline, carrying the majority of issues 5 to 10 per cent under recent best prices.

On this reaction volume of trading thus far remains too light to carry much conviction. If buyers are cautious and hesitant, so are potential sellers. All recognize that so far as the early prospect is concerned there are numerous uncertainties.

The expectation apparently entertained in some speculative circles that Labor Day would automatically be followed by an upward surge in industrial activity and by an active demand for common stocks scarcely merits discussion. The market seldom adheres to the schedule so arbitrarily laid out by those who let their speculative wishes be father to the thought. It has appeared probable for a fortnight that if there is to be a new phase of major advance in industry and the stock market it is likely to come later than originally expected. The autumn season is yet young and much can happen before winter, both as regards business and that still carefully guarded speculative ace in the hole—inflation.

Basis for Autumn Hope

There remain grounds for hoping that the now lagging industrial indexes will again turn vigorously upward in coming weeks. They will do so if autumn retail trade attains the velocity and scope desired by Washington, thus closing the gap between basic production and ultimate consumption—a gap that has been steadily narrowing in recent weeks as a result of lagging producing activities and increasing consumer demand, as reflected in substantially higher dollar sales for department store and chain store merchants.

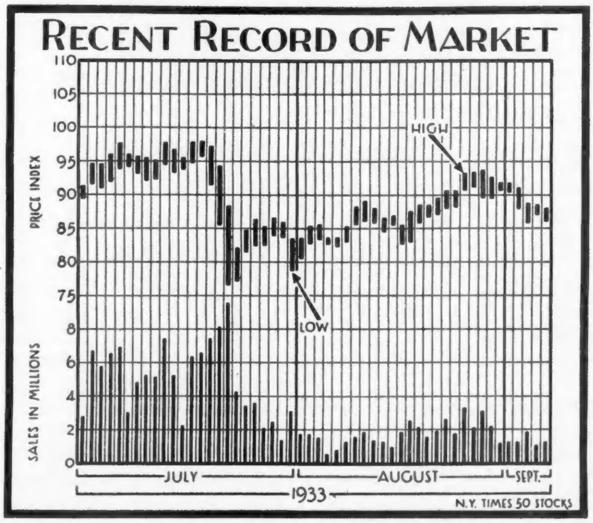
In this picture we see no present need for material change in the investment advices recently given in this

publication. We recommend that long-term and intermediate commitments be retained on the prospect of eventually higher prices, even if it should develop that hopes of fresh stimulation during the current month may have to be deferred while pending uncertainties as to the outcome of the N R A program and of the Government's effort to stimulate expansion of bank credit are clarified. Reactionary periods during this phase of uncertainty are likely to prove opportune for discriminating purchases, both long-term and intermediate, by those whose funds available for stock investment are not now fully committed.

Since the markets, as well as business, are now influenced by policies of the Government more than ever before, it is to Washington, rather than Wall Street, that our eyes must turn in search of signposts that point the way along the twisting economic road we now are following.

Washington is still committed 100 per cent to the general policy of furthering economic recovery on all fronts under direct and vigorous Federal leadership. This program has two tremendous advantages. First, it is superimposed upon a groundswell of natural economic recovery evident throughout most of the world. Second, it is for the present under the virtually direct and exclusive control of a President whose personal popularity is probably unprecedented and who will very likely remain able to dominate and lead an otherwise confused and impotent Congress as long as that popularity prevails.

It is to be doubted that President Roosevelt has come to a definite formulation of monetary policies. If so, his plans in this regard remain a carefully guarded secret. The one thing that is assuredly known is that he is firmly committed to a policy of restoring commodity prices to approximately the 1926 level. Many weapons lie in his hands, including the power to issue greenbacks and to reduce the gold content of the dollar up to 50 per cent. Ultimate revaluation of the dollar in a return to the gold standard, probably co-incident with the return of other leading countries, appears a probability, since few students of price history believe that the general price level can be lifted to anything like the 1926 level except through change of the monetary measure of value.



Whatever methods are followed, however, there is reason to feel confident that the President's policies will in general prove less radical than the more rampant and irresponsible inflationists desire. Certainly the evidence supplied in the past several months points in this direction. No one can say what the outcome will be, for we are frankly engaged upon an experiment in controlled inflation, with no past experience to guide us. If it is humanly possible to control the upward movement of prices, the present Administration will control it. The basic intention, clearly understood by those in authority, is to restore economic equilibrium by making the present debt structure supportable in reasonable measure. It is not to jump from one level of disequilibrium to another by lifting prices so high that they will unduly penalize the creditor class.

In all of the endless talk of inflation, pro and con, this underlying purpose must be kept in mind. It does not constitute any present reason to abandon refuge in sound stocks. On the other hand it suggests that in coming months the question very likely will arise as to what extent individual stocks have discounted the probable degree of inflation. It may be, and probably will be, that in any further advance most issues will tend to move together. Even so, unlike last March or April, the time is past when one can buy virtually blindly with safety. In proportion to the advanced price level, long-term speculative risks are inevitably increased. We believe it would be well from here on to exercise increasing discrimination in security selection, heeding factors of corporate financial strength, trade and industrial position and earning power, rather than pinning all hopes on inflation.

Unlike the radical inflationists, President Roosevelt and his closest advisers are well aware that a vertical price advance, brought about by monetary inflation, is not by any means an economic cure-all. This fact has been brought home to farmers in a recent address by Secretary of Agriculture Wallace. The objective is an advance in the *average* price level and a narrowing or closing of present price disparities, especially in the relationship of agricultural prices to prices of the goods which the farmer buys. This relationship remains in substantial disequilibrium. Quite aside from inflationary relief, the Government continues to stress the importance of production control of over-produced crops. All-in-all, the objectives of this broad program are such as virtually to demand a program of cautious, rather than reckless, experimentation.

For the moment the chief effort centers on insuring success for the N R A movement, for success here would result in an important enlargement of consumer buying power. With the greater part of industry enrolled, the campaign now presents two new aspects. A highly-propagandized "Buy Now" campaign will soon be launched by Washington. Such efforts have been tried in the past, without important result. For the purpose of this article we doubt that it is significant. Consumers will willingly buy if they have buying power and prices are not out of reach.

More important, the Government has launched a vigorous effort to obtain expansion of banking credit in order that the costs of N R A may be financed, pending sufficient expansion in business volume and profits to absorb such costs. The highlights of this effort are the Federal Reserve program of increased buying of Government securities, forcing excess reserves of member banks to an unusually high level; and the direct appeal of President Roosevelt, Governor Black of the Federal Reserve Board, and Chairman Jones, of the Reconstruction Finance Corporation, to American bankers that they support the recovery movement by generous lending. There is much to be said on both sides of this issue. Perhaps the most significant thing is that the Government has served implied notice that if

(Please turn to page 550)

Uncle Sam Safeguards the Investor

What the Federal Securities Act Can and Can Not Do for Security Buyers and Issuing Corporations

By Charles H. March
Chairman, Federal Trade Commission

Acme Photo

The author of this article heads the Government organization which is charged with the administration of the Security Act. What he says in discussing this novel, drastic legislation is therefore of unusual interest to the financial community and to investors everywhere.

WHEN on the 27th of last May the Securities Act of 1933 was passed by the Congress, there was placed in the hands of the Federal Trade Commission the responsibility and the privilege of administering a significant development in the relationship of American business and industry to the American public. The immediate origin of this legislation is to be found, of course, in the financial losses incurred by investors in the collapse of 1929. It is to be found also in the common belief that to a very large extent these losses were due to the reckless financing which characterized the supposed new era in which we were living prior to the collapse. Beneath these immediate reasons for the legislation, however, is the more fundamental fact that we have come to appreciate the grave public responsibility that must be met by those who manage and control American business for the economic welfare and livelihood of all of the people of the country. And as another cause for the legislation I would add the determination that has arisen among our citizens to take bold, decisive steps toward a better condition of living and toward a prosperity founded upon a broader knowledge of the facts of our business and economic structure.

Viewed as a part of this movement, the Securities Act is not to be thought of as merely creating certain new requirements concerning the issuance of securities, technical matters in which only the managerial, legal and financial experts are interested. On the contrary, it is a clear declaration of the public right to know the essential facts concerning any business organization which solicits the investment of other people's money. It is grounded upon a recognition of the fact that those who manage the business of the country are given a public trust which must be frankly acknowledged and honestly administered.

Administration of the Act commenced on the 7th of July. The weeks that have passed since then have brought to light some misunderstanding on the part of the public concerning what can and what can not be done under the Act. There has appeared also some evidence of doubt and fear as to the effect of the Act upon the financing of business, fears which, as experience is disclosing, are without foundation. And there has been in the main a very willing and active spirit of co-operation evidenced by those who have had to qualify their securities for sale under the provisions of the Act.

Undoubtedly the most important feature of the Act is that it places upon those who create and offer securities for sale in interstate commerce or through the mails, the burden of representing truthfully and completely all the material facts concerning those securities. That is its chief requirement, and that undoubtedly is its main purpose. Those who fail to tell the truth and all of the truth concerning the security they create or sell are made liable to purchasers of the security for the amounts which they have paid for it. Thus the Act provides that those who offer the security have a duty to represent it truthfully, and that those who buy it have a right to be told all the essential facts concerning it. Injunctions against those who violate the law may be sought by the Commission and penalties for its violation are enforced by the Attorney General.

In short, those who offer securities to investors must state what it is they are offering, and they must stand back of their statements. The persons thus made liable, including the directors and principal officers of the issuer, but not the issuer itself, may escape the liability imposed upon them if they can prove that they made reasonable investigation of the facts contained in the registration statement or prospectus and had reasonable grounds to believe that such facts were true. And the standard of reason required of them is that which is required of a fiduciary; they are required to

exercise such skill and care as is expected of a careful man in the conduct of his own affairs.

Supplementing this major purpose of the Act is the requirement that for any new issue of securities that is to be sold in interstate commerce or through the mails a registration statement and a prospectus must be filed with the Federal Trade Commission. Even after that statement has been filed and has become effective if the Commission finds that it is untrue, incomplete or inaccurate, it may issue a stop order against it and the sale of the security thereupon becomes unlawful until the defects in the statement shall have been remedied.

Not A Blue Sky Law

Perhaps I may make more clear what the Act provides if I state some of the things which it does not provide. It does not license any security, or any issuer of, or any dealer in, securities. It is not a Blue Sky Law. It makes unlawful the sale in interstate commerce of any security by fraud or deceit, or without full disclosure of the material facts concerning it; and it makes unlawful the sale of any new issue of securities until those material facts shall have been filed with the Commission in the registration statement. It seeks to provide for the investor the facts which he needs in order to arrive at an intelligent judgment; it does not aim to dictate to him what securities he shall buy. There is no limit to the degree of speculative risk that may be involved in a security registered for sale under the Act. The Commission's duty is not to pass upon that security, but to see that the issuer files a statement and a prospectus in which it purports to set out all and to omit none of the facts that reveal the risk. Such statements are made available for public inspection at all times, and copies are furnished to anyone at cost.

It should be clear, therefore, that the Commission in accepting the registration statement is not passing upon the soundness or merit of that security, and is not making a finding that the statement is true or complete. The fact that the Commission makes no finding as to the truth or sufficiency of the registration statement means that there is no bar to purchasers who subsequently may attempt to prove it is untrue or misleading.

I should mention briefly that there are certain types of securities, as for example United States Government bonds, which because of their character, or because of a supervision already exercised over them by some other body, are exempt from the requirements of this Act. There are also certain transactions which are not included within the registration features of the Act, as for instance a sale by an individual investor.

I have tried to show that the parties chiefly concerned in carrying out the provisions of the Act are those who create or sell securities and those who buy them. Between these two the Commission's primary function is to supervise the registration of that information which the issuer is required to furnish and the buyer is entitled to receive. The Commission prescribes the form in which the information is furnished. It calls for the names of those who are responsible for creating, offering and selling the security, and a statement of their interest or prospective interest in the outstanding issues and in the new issue. Underwriters' commissions and the expenses incident to putting out the new security are stated in detail, and the purposes to which the net proceeds of the sale as to be devoted are to be fully explained. If property is to be acquired with the proceeds, the issuer is required to disclose the interest of any of its officers, directors or underwriters in that property. Of particular importance in this connection is the authority given to the Commission to prescribe in detail how the balance sheets and the operating reports for a period of years shall be set up. The importance of this feature of the law will be recognized by those who advocate a greater degree of uniformity and comparability in the financial statements of corporations; and by those who know how readily the more usual accounting procedures may be modified to minimize or to conceal an unpleasant state of affairs in the financial condition of a company.

Registration statements were first accepted for filing on July 7. From that date until August 31, 187 registration statements had been filed covering proposed public offerings with an aggregate value of over $203,000,000. By August 31, 104 registration statements were in effect, registration had been suspended for 5 issues, and notice of stop order proceedings or proceedings to refuse registration had been served as to 3 others. Twenty-four registration statements, which could not become effective until more adequate information was furnished, have been withdrawn by the issuers.

A Check on New Financing?

I have referred to the fears expressed that the Securities Act will interfere with the normal processes of financing business. I am not ready to believe that American business is so organized that it cannot undertake to make a full disclosure of the facts essential to a sound judgment of its securities. Counsel who advise their clients to give as little information as possible, or to attempt by indirection to evade the clear requirements of the Act, do indeed have grounds for the fear which they express on behalf of their clients. They can do most to dispel that fear by advising their clients to submit registration statements and prospectuses which fully and fairly meet the requirements of the Act.

"The justifiable protection to investors which this law provides is in itself a protection to the corporation that can afford to deal frankly and openly with its prospective stockholders and bondholders. Compliance with the letter and the spirit of the Act and the fullest co-operation in the purposes which it is so properly designed to achieve will benefit the corporation which, soundly organized and operated, is able and willing to tell its investors the truth about itself."

We receive many registration statements which reveal throughout a purpose to do just that, and where some modification or additional statements appear to be necessary we find a ready response to the call for amendment. On the other hand, we see registration statements that are prepared with the apparent desire to cut every corner, to yield nothing that might possibly be withheld, and to resolve every doubt on the side of concealment. Counsel who advise their clients to furnish this kind of statement are indeed right in advising them that the Securities Act is dangerous; for it is and should be dangerous to those who insist upon practicing deception within the very limits of a law set up to penalize deception. The danger in the law to persons of that character is a proper antidote for the danger

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Building Construction Has Long Represented a Pillar of American Prosperity

Sufficient Potential Residential Demand Exists Greatly to Accelerate Present Faint Indications of Improvement—But What Are the Prospects of Financing This Recovery?

Mortgage Debts and Building Prospects

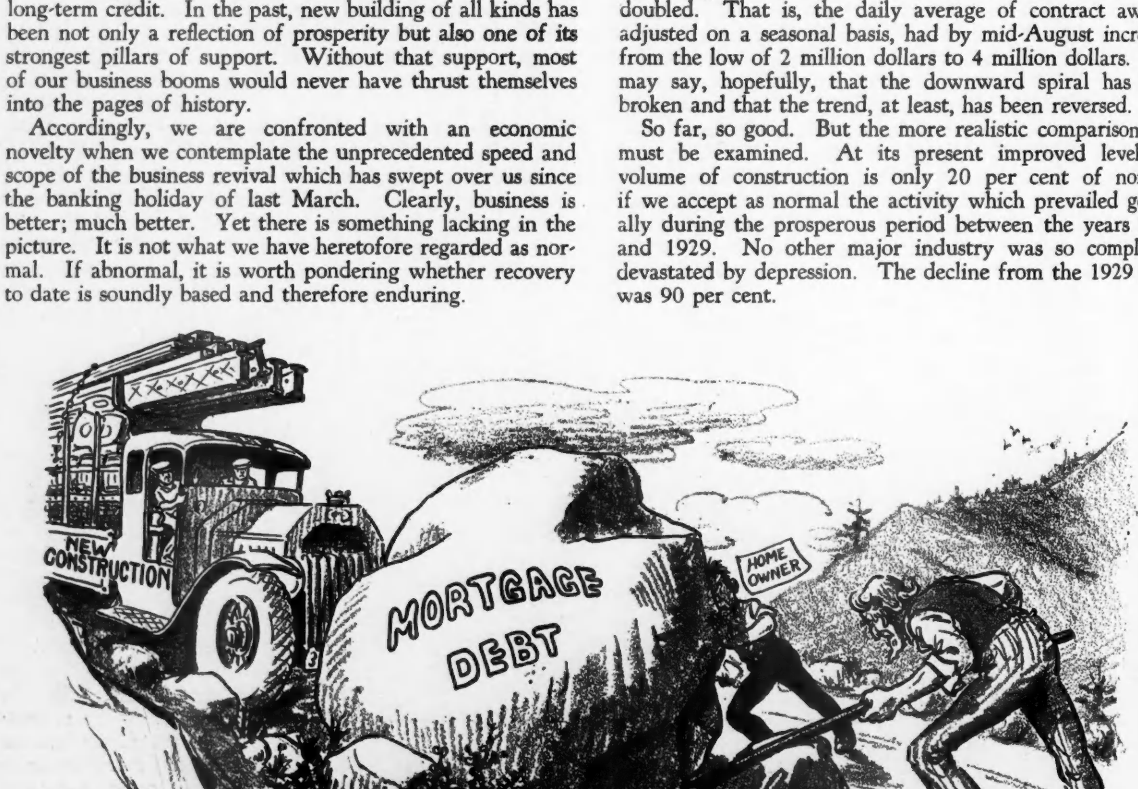
By John D. C. Weldon

GOOD times in this country have usually been accompanied by an expanding volume of construction, a rising trend of land values and a generous supply of long-term credit. In the past, new building of all kinds has been not only a reflection of prosperity but also one of its strongest pillars of support. Without that support, most of our business booms would never have thrust themselves into the pages of history.

Accordingly, we are confronted with an economic novelty when we contemplate the unprecedented speed and scope of the business revival which has swept over us since the banking holiday of last March. Clearly, business is better; much better. Yet there is something lacking in the picture. It is not what we have heretofore regarded as normal. If abnormal, it is worth pondering whether recovery to date is soundly based and therefore enduring.

The missing element in our picture is construction. Taking the rosy view, one may say that, as compared with the low point of depression, which was in March, it has doubled. That is, the daily average of contract awards, adjusted on a seasonal basis, had by mid-August increased from the low of 2 million dollars to 4 million dollars. We may say, hopefully, that the downward spiral has been broken and that the trend, at least, has been reversed.

So far, so good. But the more realistic comparison also must be examined. At its present improved level the volume of construction is only 20 per cent of normal, if we accept as normal the activity which prevailed generally during the prosperous period between the years 1923 and 1929. No other major industry was so completely devastated by depression. The decline from the 1929 level was 90 per cent.



Against this tremendous drop to something like 10 per cent of what we formerly regarded as normal, industrial production at the worst fell only moderately below 60 per cent of normal. Against the recovery of construction to 20 per cent of normal, industrial production in July had recovered to 90 per cent of normal, according to the accepted indexes.

Stocks Which Will Benefit from Any Improvement in Construction

Selected by The Magazine of Wall Street Staff

American Radiator	**Sherwin-Williams**
Johns-Manville	**National Lead**
United States Gypsum	**Certain-teed**
Bucyrus-Erie	**Congoleum-Nairn**
Libbey-Owens-Ford	**International Cement**

Next to farming, more individuals depend, directly or indirectly, upon construction for a livelihood than upon any other industry. Taking into account this fact, together with the limited improvement thus far evident, it is not surprising that construction accounts directly for the largest single group of the unemployed in this country, probably no less than one million men.

Obviously, the problem is not one that N R A can solve. In no other industry is labor more highly unionized. In no other industry has it won higher wage scales. But wage scales and control of hours mean nothing when there is little or no work to be had. The fact is that for some types of construction either need or demand is lacking. For other types, notably modern residential construction, there is both need and demand, but a notable scarcity of both capital and long-term credit.

Real estate appears to have touched bottom in value and quoted price. A moderate firming of price is faintly visible. The change is not yet sufficient to alter the underlying reality. While thawing has begun, the vast mountain of obligations secured by pledge of land remains a rather thoroughly frozen mass. Taking combined urban and rural mortgages, it represents a debt total estimated around 45 billions of dollars—a debt which exceeds the total obligations of all divisions of government from Washington to the smallest township and which also exceeds the total of all industrial, public utility and railroad indebtedness.

By and large, the number of creditors still avidly seeking to safeguard their existing claims literally dwarfs the number able or willing to seek new mortgage risks for long-term investment. New mortgage money remains as rare as hens' teeth. The former chief reservoirs are closed, with the exception of a trickle here and there. Moreover, many holders of mortgages—notably banks which during the boom forgot what the conservative functions of commercial banking used to be—are continuing the effort to rid themselves of these non-liquid assets. In short, the major process of liquidation and readjustment of old mortgages has by no means ceased. Until it makes substantially further progress it is difficult to discern the source of any important new supply of mortgage credit which is so vital to any general or sustained revival in building.

Who Holds the Mortgages?

A glance at the accompanying chart will show an illuminating breakdown of the 38-billion-dollar mass of urban mortgage debt which now blocks the road to new construction on any normal scale. Although no group of these long-term lenders could possibly have escaped the generally deflationary consequences of the period of over-building during the last boom and the wholesale decline in values brought by the worst depression in our history, the particular difficulties of several classes are worth considering.

Building and loan associations hold 7,205 millions of dollars of this urban mortgage debt; insurance companies hold 5,940 millions; mutual savings banks 5,850 millions; mortgage companies 3,000 million; and individual investors 5,000 millions. Individual variations among these lenders in wisdom, conservatism, competence and experience no doubt were extremely broad. Even the most conservative could not wholly escape the hysterical mania for liquidity which depression and falling values sent sweeping across the land. In the main, however, these groups were simply following their normal and traditional functions in the long-term credit market.

Less can be said for certain other groups. We find that Federal Reserve member banks are estimated to hold 2,500 millions of dollars in real estate mortgages. All other banks, excluding mutual savings institutions, hold 1,800 millions; and an additional 5,000 millions are accounted for by that lately popular investment vehicle, the real estate mortgage bond or certificate. If we deduct some 800 millions estimated to be held by stock savings banks, the above figure of 1,800 millions for "all other banks" indicates that approximately 1,000 millions are held by non-member commercial banks. Thus we arrive at the estimate that our commercial banks, both member and non-member of the Reserve System, hold a total of 3,500 millions.

It seems abundantly clear in retrospect that the legal right of commercial banks to tie up 3,500 millions of depositors' funds in relatively long-term, non-liquid assets, such as real estate mortgages, represents a faulty element in the picture, even granting that many bankers, especially in rural sections, would have been hard put to find other means of profitable investment and even granting that many such bankers exercised all reasonable conservatism in such lending.

Bank Mortgages Unlikely

It is pertinent to note that prior to 1913 national banks were forbidden to make loans on real estate mortgages. In that year mortgage loans of one year duration were authorized by law, thus opening up a definitely non-liquid field for the employment of banking assets. But in 1927, the McFadden Bill was adopted by Congress, further letting down the bars to use of banking funds in a non-liquid capital market. The limit was extended to five years, or more than the usual three-year term of conservative savings bank mortgages. With respect to this practice, the New Deal banking legislation at the last session of Congress made no change.

True, many commercial banks entered the mortgage loan field in only limited measure and along conservative lines. No doubt quite a few can contemplate their present stake in real estate without grief or embarrassment. This does not alter the fact that in going into mortgages commercial banks encroached upon a field formerly the exclusive domain of lenders to whom liquidity, at least in theory, was not a primary requisite of public confidence.

Several things happened, not entirely as anticipated by Congress. Commercial banks began the active promotion

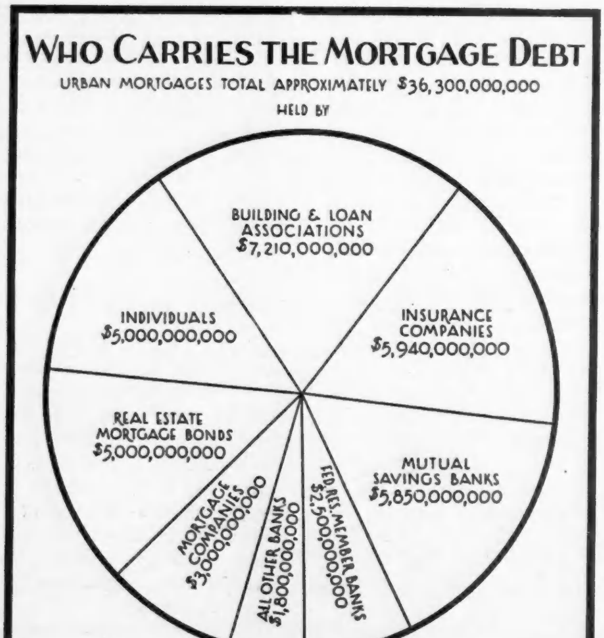
of so-called "thrift" or savings accounts; indeed, becoming, in part, savings banks. One could get 2 or 3 per cent on such time deposits. Yet in practice these were not actually time deposits, for, regardless of the formality of the 60-day clause, one could usually withdraw deposits, in part or in whole, upon demand. Whatever the underlying intention, this apparent liquidity of time deposits—a theory tenable as long as not too many sought withdrawal at the same time—was a strong factor promoting the development of this type of business by commercial banks.

In the face of this competitive encroachment upon the savings bank field, it is not surprising that savings banks retaliated by actively seeking funds which might better have been placed in actual demand accounts. Here, too, the 60-day clause, prior to the advent of acute deflation, was a theory rather than a practice. It need hardly be said that free lending on mortgages is not compatible with the liquidity that is necessary to support a policy of treating time deposits as if they were in important measure demand deposits.

Individual Mortgages

Lest it appear that we are overly critical of banking policy as to mortgage loans, let us hasten to point out that the so-called "investing public" itself was not without blame. In that boom period which lies behind us many were apparently under a misconception. They only *thought* they were long-term investors. When the storm struck it was really liquidity that they wanted. Throw everything overboard. Cash was the only desirable item. It is not surprising that the real estate market crumbled or disappeared when sellers over-crowded it.

This disinclination of long-term investors to remain long-term investors is one of the reasons for the total loss of popularity by the once popular real estate bond and certificate, formerly promoted and widely regarded as being the safest of investments offering an attractive yield. It was not, of course, the only reason. Mistakes were made, notably in over-optimistic property appraisals. The land boom had hit its peak by 1926, but real estate bonds were easy to sell until the autumn of 1929. Not a few authorities believe this fact accounted largely for the over-building of the last three boom years and that it thus was an important factor in aggravating our present real estate and mortgage pains.



It would be difficult to find a field of investment offering less information to the hapless investor. He was not sufficiently aware that a real estate bond differs from the average corporate bond in lacking a ready market. Many apparently had no idea that there are as many kinds of real estate bonds as there are corporate bonds; that real estate mortgages may be first, second, third, general, leasehold, or first mortgage Series "B", subject to Series "A", and so on *ad infinitum*. Nor did many know when old-fashioned appraisals of 50 per cent of conservatively-estimated valuation were optimistically enlarged to 60, 70, 80, 90 per cent or what have you. Finally, all too few distinguished between a first mortgage on a single specific property and a certificate carrying fractional claim on a variety of properties.

Within the purposes of this article there is no need for further survey of this field. More than 2,700 millions of real estate securities were sold in 1927, 1928 and 1929. The largest and most important agencies for real estate bond issuance and guarantee have recently been released from the supervision of New York State. They are engaged in a large job of rehabilitation—pulling the chestnuts out of the fire. It is not likely for some time that they will have a market for new bonds or that they will be important sources of new mortgage money.

Institutional Lenders

In a few instances building and loan associations are able to advance new mortgage money, but the total is not impressive. In the main their problem is also one of rehabilitation. Properties must be repaired or lose value, and taxes must be kept up. Similar reasons account for the fact that even the largest and strongest savings banks are not making new mortgage loans. They also have an eye for liquidity, for tardy tax payments and for the expenses of painting and re-roofing and otherwise maintaining property presently pledged. As for commercial banks, the plea of certain Washington officials for more liberal credit policies is meaningless when other officials, notably the administrators of the national banking laws and the state superintendents of banking, are equally insistent upon sound lending and liquidity.

There are other factors accounting for the dearth of long-term capital funds needed for active expansion of building of any description. Deflation inevitably has lowered the level in the national reservoir of savings. Thus, we find that total savings deposits in all banks as of June 30, 1932, were only slightly more than 24 billions of dollars, a decline of nearly 4 billions in a single year and, moreover, approximately 500 millions under the figure of 1926. Statistics for the year ended June 30, 1933, are not yet available. Looking back to the banking debacle of last March, it is quite certain they will show a further substantial shrinkage.

Here we have a fundamental obstacle to fresh institutional lending on mortgages on any extensive scale. This factor is especially important in relation to residential construction. Shoe-string real estate promotions are largely out of fashion. Moreover, present-day buyers are willing to invest a conservative cash

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A New Day Dawns for Oils

Federal Production Control and the Power to Fix Prices, Now Held in Abeyance, Are Beginning to Restore Order and Stability

By N. O. Fanning

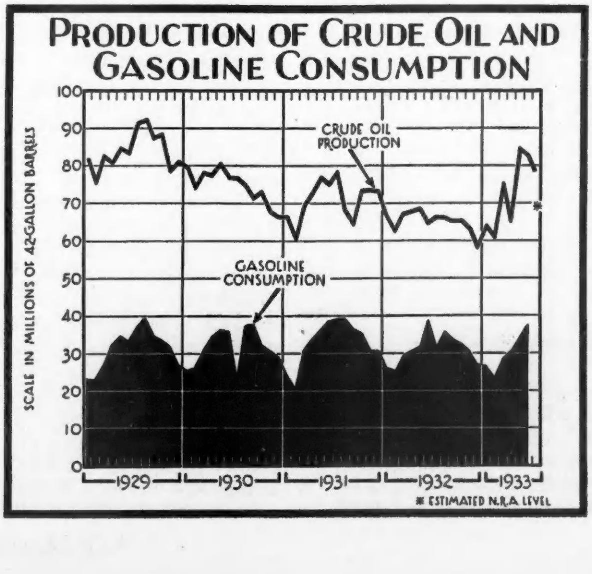
ENJOYING a well-sustained demand for its products in good times and bad, the oil industry should be one of fair profit. Instead, it has wallowed for years in a chaos of over-production, of cut-throat competition and of erratic and wide price fluctuations. Such is the wasteful and destructive record.

Fortunately, it is a record that now lies behind us. We begin to write a new chapter. The story becomes definitely hopeful. The United States Government has assumed leadership, a leadership which a disorganized and faction-ridden industry has never been able to develop for itself. It is more than the mere matter of an N R A code designed to raise wages and control hours of labor. If successful, it is veritably a "new deal" for oil. It promises effective control of crude oil production. It promises an adequate and more stable price structure.

In the very nature of oil, rational economic control under the free play of private competition is impossible. In this respect it differs from all other industries. The supply is uncertain. The rich pools are not inert wealth, like iron or coal. Each can be tapped by many owners of surface rights. If one producer sinks a well, his neighbor perforce must do likewise. Because of the industry's inherent characteristics, as well as the enormous importance of its products in daily use, a unique public interest attaches to it. It is perhaps the one major industry in which artificial or planned control is not only economically justified, but imperatively needed.

Oil's N R A code, effective September 2, includes a provision for establishment of minimum prices for crude petroleum and refined products. This feature is favored by a major group within the industry and opposed by an equally important group, including the dominant Standard Oil Co. of New Jersey. For the present its enforcement is held in abeyance, with the hope that control of production will enable the industry itself to establish the desired price level.

As this article is written, the order for curtailment of crude oil production has gone out to the states and the latter have scarcely had time to act upon it. If the move is successful and production is reduced to the desired limits (approximately 2,300,000 barrels daily for the present) it is undoubtedly anticipated by those in command of the petroleum ship of state that the oil purchasing companies will raise posted prices for crude oil. In fact the movement seems already to have started, with a general advance in prices in most of the principal fields. But those in favor of fixing minimum prices set this minimum at $1 a barrel whereas even with the advances just posted 36 gravity Mid-Continent crude is only 72 cents a barrel.



PRODUCTION OF CRUDE OIL AND GASOLINE CONSUMPTION

The price-fixing features of the National Recovery Act code for the oil industry are doubtless the most important and interesting from the viewpoint of holders of oil securities. It is merely a matter of bookkeeping that as oil prices advance, income of the oil companies increase and possibilities of profits become greater. Hence, if minimum prices are established considerably above present levels, that almost automatically increases the prospects of the leading petroleum producing, refining and marketing organizations. The fact that the price-fixing features of the code have not yet been placed in effect is therefore somewhat of a disappointment to oil company stockholders.

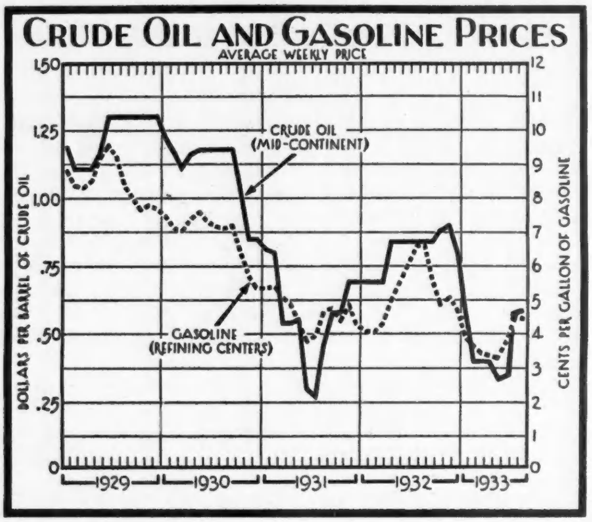
The Final Resort

Nevertheless, indications are that if no other plan works price-fixing will be resorted to. The upward movement in crude oil already instituted indicates that the oil industry is taking the course of establishing higher prices before the Recovery Administration orders it to do so, and thus avoiding the appearance of direct price control.

It must also be remembered with relation to the oil code that selling of crude oil or its products below cost is prohibited. This in itself would amount to a decree for higher prices, inasmuch as it is common knowledge that crude oil and gasoline have, on the average, been selling below cost of production for many months. It has been estimated, for instance, that the minimum cost of

producing crude oil in the East Texas field is 75 cents a barrel. The price of this crude has just been raised 15 cents a barrel in obedience to the mandate of the code.

The difficulty of establishing a unified, intelligent plan of operation and prices for the oil industry by individual action, is however, obvious. Under the plan for fixing minimum prices the relationship between quotations for crude and prices of products was to be definitely established. If prices are left to individual units, naturally discrepancies in this relationship are going to occur, which may defeat the real aims of the code. It is believed by close students of the situation that sooner or later, minimum prices will be set. This is in line with the wishes of the Administration to establish prices of all important commodities on higher levels than have been prevailing.



The persistent strength in petroleum securities is no doubt based in part on the confidence that petroleum prices will be established on definitely higher levels, whether by individual action or under the code. However, possibilities of discrepancies between costs in various branches of the business or between the relationships in prices for crude and refined products might tend to offset the benefits in some instances. For this reason it would appear that the important crude oil producing companies stand to benefit most as a result of current developments. It is merely a case with these of getting more for their crude with production costs showing a relatively smaller gain, due to raising of wages of workers in the production branch of the industry. It can be said, however, that labor costs are relatively small in the production end of the oil business. Many oil wells flow naturally for months after completion, while in pumping, a number of wells are hooked up to a single pumping unit.

In choosing oil securities either for speculation or investment, favor therefore inclines to the oil organizations which dominate in crude production. In the United States there are at least 50,000 engaged in the production of crude oil, but there are probably a dozen oil organizations which stand out because of their control of oil production. These include such organizations as Standard Oil Co. of California, which controls approximately 50 per cent of the Kettleman Hills oil field of California; Humble Oil & Refining Co. and Gulf Oil Corp., which individually or together are the dominant oil producers in East Texas, the Rabbs Ridge field and other oil areas in the State of Texas; the Ohio Oil Co. which is the largest producer in the Yates pool of Texas and the Pure Oil Co. which dominates the Van oil pool of Texas.

Refiners Will Benefit

Such oil refining and marketing organizations as Standard Oil Co. of New Jersey naturally stand to benefit as a result of the code, if it proves successful, because of its control of production of crude both in the United States and in South America. Royal Dutch-Shell is in a similar position. Socony-Vacuum Corp. seems to have a smaller interest in crude oil production with relation to its vast refining and marketing facilities.

It is generally conceded that price-fixing has a better chance of success in the oil industry than in many other major industries. Rising oil prices have in the past had no great influence in restricting sales. After all, gasoline, the most profitable product of crude, represents a small part of the cost of owning and operating an automobile. Furthermore, the convenience of oil in so many uses, such as in power and heating, overcomes any reasonable advance in cost. In addition, the oil industry, under the "New Deal" of the Roosevelt Administration, does not promise to be beset by labor difficulties or any unreasonable increase in costs. Most of the larger oil organizations have their own transportation facilities in the form of oil pipe lines and tank steamships, using the railroads only for auxiliary transportation of crude oil and refined products.

The importance of foreign markets with relation to the domestic situation has not been overlooked by the administrators of the oil code. However, it has doubtless been necessary to adjust the domestic industry so far as possible on a basis independent of foreign influence, observant of the low cost of producing crude oil in South America, Russia and some other countries. The import duties on oil which went into effect in 1932, amounting to 21 cents a barrel on crude and fuel oil and 2½ cents a gallon on gasoline, continue in force. No definite limitation on imports has been made in the new oil code, but the President is given the power to adjust imports whenever they interfere with the domestic balance.

Oil economists of the large petroleum organizations realize that low-cost production from South American fields could easily wreck havoc with any attempt to raise oil prices in the United States above a certain limit, which limit is believed to be under that desired by the National Recovery Administration. Hence, control of imports is essential. This will be a relatively easy matter, however, in view of the fact that the South American fields are largely dominated by three or four large oil organizations which have interests both in the United States and abroad, and are likely to be in sympathy with the domestic program for stabilizing the oil industry.

The matter of the American oil export market, however, presents a more weighty problem. This will resolve itself into the proposition of whether oil prices in the principal world markets can be adjusted to American levels. The smaller exporters will be likely to want to turn to domestic markets unless they can get equal prices in the export market.

If foreign oil prices are held below American prices the trend will be for the large American exporters controlling low-cost foreign production to supply their foreign markets from such sources. The South American oil fields represent an example of what may occur. These are within easy access to markets of Europe. Present produc-

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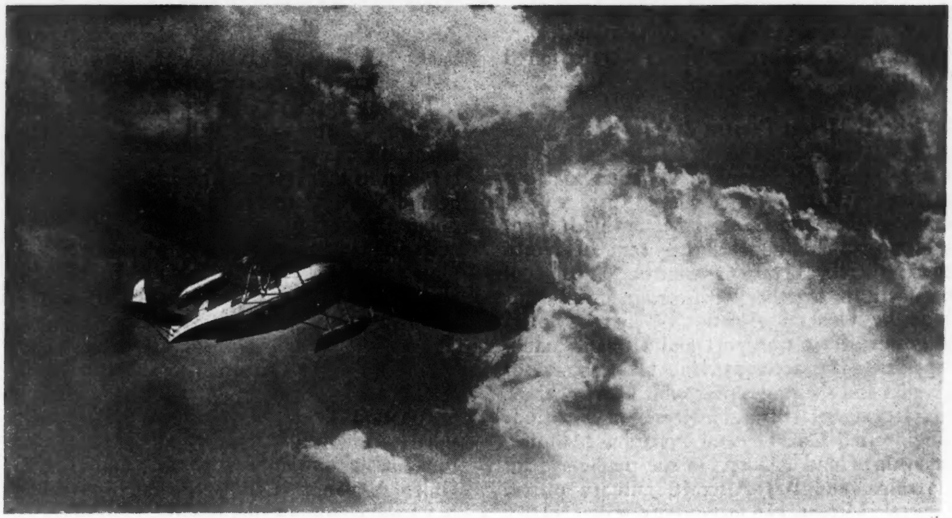


Hoit Photo, from Nesmith

Aviation Enters a New Phase

Four Companies with Growing Power and Sponsorship Dominate Field

By HENRY RICHMOND, JR.

BEHIND the ever-present smokescreen of ocean crossings and round-the-world flights with their spectacular successes and tragic failures, the airplane makes much real and unheroic progress. Over the pioneering stage, over the boom stage, it has passed into the businessman development stage. Like a gold field which has witnessed the excitement of the "strike," passed through the "rush," picturesque and expensive, the aircraft industry begins to settle down. We all remember what happened after Lindbergh's flight to Paris in 1927—the soaring stocks of aircraft companies, the promotions which barely breathed and died dismally, the exciting meetings of local chambers of commerce over landing fields, and the flats of baked mud which now is all that is left of them and the millions which they cost. But after a gold field has had its "rush," strong companies move in and buy up the proven claims. Follows a long period of unromantic development work and the treasure yields.

So with the airplane. The last year or two has been a time of merger and consolidation—of "buying up the proven claims." Four groups now stand out head and shoulders above their contemporaries, and the number is more likely to lessen than that some which now lag take their place among the mighty. The "big four" are United Aircraft & Transport, the General Motors controlled North American Aviation, the Cord controlled Aviation Corp., and finally the Pan-American Airways Corp., closely held operator of foreign routes and which may, or may not, fall into the hands of one of the others.

To find one's way through the maze of holding companies, subsidiaries and sub-subsidiaries to the broad general picture of the American aviation industry appears to call for the very latest in radio direction finders, but it is not an unsolvable puzzle.

Of the four groups, United Aircraft is possibly the most important. Transport operations are concentrated in a subsidiary, United Air Lines, which, operating through Boeing Air Transport, National Air Transport, Pacific Air Transport and Varney Air Lines, constitutes one of the transcontinental systems.

In addition to transportation, United Aircraft manufactures—importantly. It controls Pratt & Whitney, makers of the famous "Wasp," and equally famous "Hornet"; the Boeing Airplane Co., whose multi-engined, monoplane transports are among the latest things in safety, speed and comfort; Chance Vought, makers of military aircraft, and also a number of other miscellaneous manufacturers. In a word, United Aircraft & Transport is a completely integrated organization, whose corporate identity can hardly fail to survive the further period of kaleidescopic changes which faces the industry before it attains maturity.

When General Motors seriously entered the aviation industry, it did so neatly and in a big way. At first the drift toward aviation must have been almost unconscious. An interest in the Bendix Aviation Corp. was acquired, undoubtedly with a view to assuring an adequate supply of starter drives, brakes and other equipment for the company's automobiles and with little consideration for the fact that Bendix also make airplane equipment. Following this a large investment in the old Fokker Co.—Antony Herman Gerard Fokker, Dutch-born American citizen, whose planes supplied to the German Government during the early stages of the World War made the best efforts of the Allies look like a little boy's toy kite—was bought

up and the name changed to General Aviation Corp. Subsequently a number of smaller companies were acquired by General Aviation.

General Motors Present Stake

Then came the big shuffle. General Aviation sold out to North American Aviation for about 43 per cent of the latter's common stock and General Motors itself went out and bought up an additional 8 per cent of North American's stock, thereby obtaining control. With control of North American, together with certain investments previously made by General Aviation, General Motors rules a whole group of air transport and airplane manufacturing companies. The accompanying table shows the transport companies and the routes over which they operate.

G. M.'s aircraft manufacturing interests now include the Allison Engineering Co., General Aviation Manufacturing, Fokker again; Condor Corp., in the public eye for the size of its ships; and B/J Aircraft, military planes. Moreover, General Motors can now vote some 90,000 shares, or about 25 per cent of the total outstanding, of Douglas Aircraft, which has long been a successful builder of military ships and which fairly recently entered, via a subsidiary, the field of big multi-engined transports.

Operating some 9,000 miles of route, carrying about 30 per cent of the total air traffic in the country, and backed by all the financial power and prestige of General Motors, one would say that here is another system which will survive whatever may befall.

Incidentally, while on the subject of North American Aviation, it might be noted that in addition to all else the "big shuffle" brought into being the new Sperry Corp., which may be said to represent those activities and investments from which North American wished to be divorced. Among others these include the outstanding stock of the Sperry Gyroscope Co. and of the Ford Instrument Co. and a substantial interest in Curtiss-Wright.

Turning again to "the big four," the next on the list is Aviation Corp. which will long be remembered in the financial community for the spectacular battle which raged between its management and Errett L. Cord, meteoric force behind Cord Corp. and Auburn Automobile. Following publication of full-page advertisements in the principal newspapers of the country with charge and counter charge, pleas for proxies, $1,000,000 libel suits, and much shifting among minor interests, Cord and his associates eventually obtained control.

Aviation Corporation

Aviation Corp., operating through its transport subsidiary, American Airways and the latter's sub-subsidiaries, runs air lines from coast-to-coast and from Canada to the Gulf. A glance at the accompanying table will show the exact routes over which this system operates and that much of the territory has fertile possibilities. From a manufacturing standpoint, however, the Cord group appears to be less well situated than either United Aircraft or the General Motors group, although the Cord Corp. controls the production of Lycoming engines and Stinson transports. Manufacturing operations of the Aviation Corp. itself were discontinued a year ago and certain plans and manufacturing rights were sold to General Aviation (General Motors).

From indications here and there, it seems that Cord is determined to make a real thing of his aviation interests. They are to be built up from a firm foundation and his intimates contend that mention of "speculative footballs" is not the right thing so far as Cord and Aviation is con-

(*Please turn to page 551*)

Leading Airway Operators

Operator	Routes Operated	Route Mileage	Class of Service
United Air Lines — National Air Trans Co.	Chicago to New York	717	MPE
	Chicago to Dallas (via Wichita)	973	MPE
	Chicago to Dallas (via Tulsa)	913	MPE
	Tulsa to Ponca City	72	ME
Boeing Air Transport	San Francisco to Chicago	1930	MPE
	Omaha to Watertown	259	MPE
	Kansas City to Omaha	168	MPE
Varney Air Lines	Salt Lake to Seattle (via Pasco and Portland)	847	MPE
	Pasco to Spokane	127	MPE
Pacific Air Transport	San Diego to Seattle	1161	MPE
	Oakland to San Jose	42	MPE
	Los Angeles to San Francisco	348	MPE
(Cord) American Airways	St. Louis to Chicago	257	MPE
	Nashville to Cleveland	483	MPE
	Fort Worth to Nashville	658	MPE
	New Orleans to St. Louis	599	MPE
	Brownsville to Dallas	546	MPE
	Galveston to Dallas	318	MPE
	New Orleans to Atlanta	480	M
	Houston to New Orleans	319	M
	Atlanta to Los Angeles (via Dallas)	2073	MPE
	Atlanta to Chicago	623	M
	St. Louis to Evansville	145	M
	Cincinnati to Chicago	261	MPE
	New York to Boston	192	MPE
	Cleveland to Albany	446	ME
	New York to Montreal	332	MPE
	Dallas to Amarillo	345	MP
	Chicago to Muskegon to Bay City to Pontiac	517	MPE
	Chicago to Detroit (direct)	265	MPE
	Cleveland to Detroit (via Toledo)	182	MPE
	Columbus to Detroit	174	MPE
	Cleveland to Detroit (direct)	93	MPE
	New York to Chicago (via Buffalo and Detroit)	781	PE
(General Motors) Western Air Express	San Diego to Salt Lake City	702	MPE
	Pueblo to Cheyenne	199	MPE
	Amarillo to Pueblo	261	MP
	El Paso to Pueblo	492	MP
Transcontinental and Western Air	Los Angeles to New York (via Kansas City)	2567	MPE
	Amarillo to Columbus (via Tulsa)	1098	MPE
	Columbus to Chicago	277	P
	Los Angeles to San Francisco	372	P
Eastern Air Transport	Atlanta to New York	786	MP
	Miami to Atlanta	620	MP
	St. Petersburg to Daytona Beach	147	MP
	Jacksonville to Richmond (via Charleston)	571	MP
	Atlantic City to New York	97	MP
	Atlantic City to Philadelphia	57	PE
	Augusta to Charlotte	163	MPE
Pan American Airways	Miami to Havana (via Florida Keys)	229	MPE
	Miami to San Juan	1180	MPE
	Kingston to San Juan	729	MPE
	San Juan to Paramaribo, Dutch Guiana	1378	MPE
	Buenos Aires to Paramaribo	4840	MP
	Miami to Nassau	188	MPE
	Miami to Cristobal (via San Salvador)	2228	MP
	Cristobal to Miami (via Kingston and Barranquilla)	1810	MP
	Barranquilla to Port Spain	1021	MP
	Brownsville to Mexico City (via Tampico)	496	MP
	Brownsville to San Salvador	1447	MP
Pan American Grace Airways	Cristobal, C. Z., to Montevideo, Uruguay (via Santiago, Chile)	4552	MP

M—MAIL P—PASSENGER E—EXPRESS

BONDS

Bond Prices Hold Firm Against Inflationary Doubts

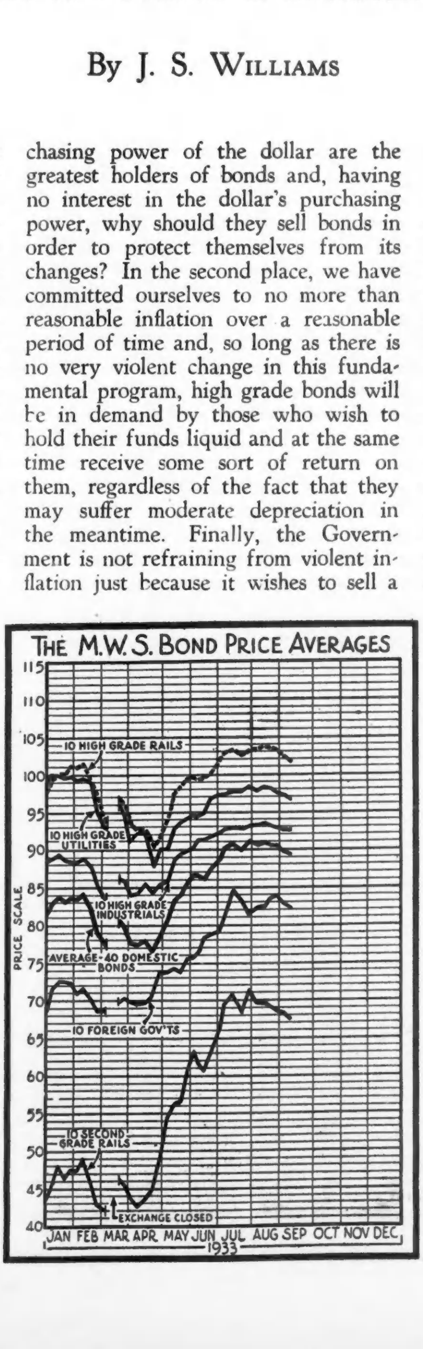
Though Commodity Prices Rise, Sound Issues Are Still Entitled to a Position in Investment Portfolios

By J. S. Williams

ALL the most exciting things that have happened, and are happening, to bonds are still below the surface. There is nothing in the general aspect of the bond pages in the daily press to show that any fundamental change has taken place. The Government's credit still appears excellent and high grade corporate bonds as a whole are not over far from the year's high—and this, so far as it goes, makes a pretty picture. But how futile it is to discuss in any great detail for the benefit of the individual investor steadiness here, or the rise of a few points there, when the very measuring stick by which he is gauging steadiness, price appreciation, or price depreciation, is changing.

On the other hand, there are those who say that the dollar's depreciation—and it *has* depreciated regardless of the fact that most of us have not yet had it brought home in our dealings for the everyday necessities of life—will shortly be the cause of a wild rush from bonds into "things" and that in consequence the quoted price of the former will fall greatly. They say further that it is only the Government's desire to carry out large refunding operations and to sell large quantities of "new" bonds that are deterring it from more vigorous and obvious inflation. Let us clear up this point first.

While having the superficial appearance of being a logical conclusion, it may be said bluntly that there is hardly the remotest chance of any such wild rush from bonds taking place—and that the Government's immediate financing plans have nothing whatsoever to do with it. In the first place institutions which have no interest in the purchasing power of the dollar are the greatest holders of bonds and, having no interest in the dollar's purchasing power, why should they sell bonds in order to protect themselves from its changes? In the second place, we have committed ourselves to no more than reasonable inflation over a reasonable period of time and, so long as there is no very violent change in this fundamental program, high grade bonds will be in demand by those who wish to hold their funds liquid and at the same time receive some sort of return on them, regardless of the fact that they may suffer moderate depreciation in the meantime. Finally, the Government is not refraining from violent inflation just because it wishes to sell a few bonds, but because such a course would wreck some of its dearest plans. Among other evils, it would bring over-speculation. It would bring great hardship to labor, whose wages would lag far behind the price rise. It would paralyze residential construction—unless the Government supplied all the money itself—for who would buy mortgages?



It may be said therefore that the manner in which the price of good bonds is currently being sustained represents a normal condition, rather than an abnormal condition which one of these days will reverse itself suddenly to the great disadvantage of holders. One might even go a step further and say that the Government's price-raising program, acting to improve the credit standing of all bonds, coupled with the Federal Reserve's direct efforts to keep money easy, might well result in further price appreciation. But if the individual who has invested, or is contemplating investing, in bonds has nothing to fear from the *price* standpoint, he must certainly take into consideration the prospective loss in his capital's purchasing power. Everything points to this loss of purchasing power, as has been said before, being kept within reasonable bounds and being stretched over a fairly long period of time. There will, however, undoubtedly be such a loss and whether the individual buys bonds now, or sells some of those he holds, is merely a question of weighing this unfortunate, but not entirely unmeasurable, certainty, against the less measurable uncertainty in other forms of investment.

An investor might well argue the matter this way:—"By buying or

(*Please turn to page 551*)

The Magazine of Wall

The Magazine of Wall Street's Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

Owing to the uncertainty which has grown out of the prospect of inflation, or at least a lowering of the dollar's purchasing power, bond purchases for investment can only be made with a full recognition of these factors. There is, of course, no suggestion here that the individual eliminate all high-grade issues from his portfolio, for they possess certain advantages, regardless of conditions, not found in other securities. Among the second-grade and more speculative bonds found in these tables some undoubtedly have large potentialities. Such bonds, however, must be selected on their merits and with due regard to one's own financial condition and the degree of risk that can be assumed.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Atchison, Topeka & Santa Fe Ry.								
General 4s, 1995	310	152	2.8	1.6	N C	96	4.2	High grade bond.
Adjustment 4s, 1995	310	51	2.8	1.6	N C	88	4.6	Tho junior to Gen. 4s, is still strong.
Conv. Deb. 4½s, 1948	310	28	2.8	1.6	102 '38	101	4.4	Not mtge. secured. Better grade.
California-Arizona 1st & Ref. 4½s, '62	310	33	2.8	1.6	110	97	4.7	High grade.
Trans. Short Line 4s, 1958	310	23	2.8	1.6	110	98	4.1	Underlies Gen. 4s. Highest grade.
Baltimore & Ohio R. R.								
1st 4s, 1948	623	157	.8	1.0	105	90	5.0	Great size of issue depressing influence, though outlook improved.
Ref. & Gen. "A" 5s, 1995	623	187	.8	1.0	105	67	7.5	Junior to issue above.
Conv. 4½s, 1960	623	63	.8	1.0	105 '36*	59	8.2	Junior to two issues above.
Southwestern Division 5s, 1950	625	45	.8	1.0	105 '45*	85	6.5	Reasonably well secured. Further apprecia-
Pitts., L. E. & W. Va. Syst. Ref. 4s, 1941	625	53	.8	1.0	100	81	7.2	tion possible.
Toledo-Cin. Div. 1st & Ref. 4s, '59	625	22	.8	1.0	102½	73	6.1	Medium grade.
Chesapeake & Ohio Railway								
1st Cons. 5s, 5.1.39	225	30	3.5	3.2	N C	107	3.7	Investment of the highest class.
Gen. 4½s, 1992	225	50	3.5	3.2	N C	102	4.4	Junior to issue above and prior liens thereto, but still strong bond.
Ref. & Imp. "B" 4½s, 1995	225	60	3.5	3.2	110*	94	4.8	Junior to two issues above.
Hocking Valley 1st Cons. 4½s, 1999	225	16	3.5	3.2	N C	99	4.5	Assumed by C. & O. Better grade.
Chicago, Rock Island & Pacific Ry.								
General 4s, 1988	314	99	1.0	.3	N C	62	6.6	Reorganization in process. Int. in default, but this issue should ultimately emerge undisturbed.
Sec. "A" 4½s, 1952	314	40	1.0	.3	102½*	25	..	Secured by $45,000,000 1st & Ref. 4s.
1st & Ref. 4s, 1934	314	208	1.0	.3	N C	24	..	Some scaling down likely.
Convertible 4½s, 1960	314	32	1.0	.3	105 '36*	16	..	Junior to issue above.
Chicago Union Station Co.								
1st "A" 4½s, 1963	67	60	..	..	105	101	4.4	Guarantors include the Burlington & St. Paul. Also secured by mortgage.
Guaranteed 5s, 1944	67	7	..	..	105*	101	4.9	Bears similar guarantee to issue above, but not mortgage secured.
Kansas City Southern Ry.								
1st 3s, 1950	52	30	1.1	.6	N C	59	7.2	No more than fairly strong.
Ref. & Imp. 5s, 1950	52	21	1.1	.6	105	73	7.9	Junior to issue above. Almost speculative.
Texarkana & F. S. 1st 5½s, 1950	..	10	1.0	..	107½	85	7.0	None too strong.
New York, Ontario & Western Rly.								
Ref. (now 1st) 4s, 1992	29	20	1.5	1.7	N C	62	6.5	Though medium grade, possesses further possibilities.
Gen. 4s, 1955	29	9	1.5	1.7	110	58	8.0	Junior to issue above.
Norfolk & Western Rly.								
1st Cons. 4s, 1996	91	41	5.5	4.9	N C	100	4.0	An investment of the highest class.
Div. 1st & Gen. 4s, 1944	91	35	5.5	4.9	105	100	4.0	Junior to issue above, but still high grade.
Pocahontas C. & C. P. M. 4s, 1941	..	11	..	..	105	100	4.0	High grade.

Public Utilities

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1931	1932	Call	Recent	Yield to Maturity	COMMENT
American Telephone & Telegraph Co.								
Coll. Tr. 5s, 1946	447	67	6.4	6.8	105	107	4.3	Of the highest grade.
Deb. 5s, 1965	447	380	6.4	6.8	110*	104	4.8	Strong bond, though unsecured by mortgage.
Appalachian Electric Power Co.								
1st & Ref. 5s, 1956	84	63	2.0	1.9	104½*	86	6.1	Reasonably good caliber.
Appalachian Power 1st 5s, 1941	84	10	2.0	1.9	105	104	4.4	Prior in lien to issue above.
Brooklyn Edison Gen. "A" 5s, 1949	67	56	6.2	4.8	105	106	4.5	High caliber unaffected by agitation for lower rates.
Cincinnati Gas & Elec. 1st "A" 4s, 1968	85	35	5.4	4.6	100	98	4.1	High grade investment.
Columbia Gas & El. Deb. 5s, 1952	163	105	3.0	2.4	104*	79	7.0	Position improved. Further price appreciation possible.
Columbus Ry., Power & Light Co.								
1st & Ref. "A" 4½s, 1957	25	19	4.1	2.9	105*	91	5.2	Better grade bond.
Convertible 5½s, 1942	25	5	4.1	2.9	105*	103	5.1	Security equivalent to issue above.

Street's Bond Appraisals

Public Utilities *(Continued)*

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Con. Gas of New York								
Debenture 4½s, 1951	398	140	4.7	3.7	106*	97	4.8	Better grade even should lower rates be made effective.
Westchester Lighting 1st 5s, 1950	398	9	4.7	3.7	N C	107	4.4	High grade.
N. Y. & Westchester Gen, Ltg. 4s, 2004	398	10	4.7	3.7	100	94	4.3	Junior to issue above, but still strong.
Dayton Power & Light 1st & Ref. 5s, 1941	20	20	3.9	3.5	105*	105	4.2	Better grade investment.
Idaho Power 1st 5s, 1947	13	13	2.9	2.4	105	99	5.1	Good, sound issue.
Indianapolis Pwr. & Lt. 1st "A" 5s, 1957	38	38	2.5	2.0	104*	87	6.0	Good grade.
Interstate Power Co.								
1st 5s, 1957	36	29	1.4	1.2	104*	49	11.1	Small margin over charges. None too strong.
Deb. 6s, 1952	36	8	1.4	1.2	104*	39	..	Junior to issue above.
Kansas City Power & Light 1st 4½s, 1961	41	41	4.0	3.1	110	104	4.3	High grade investment.
Louisiana Power & Light 1st 5s, 1957	18	18	3.2	2.4	105*	79	6.8	Reasonably good security.
Louisville Gas & El. 1st & Ref. "A" 5s, 1952	31	27	1.7	1.6	110	102	4.8	Better grade investment.
Milwaukee Gas Light 1st 4½s, 1967	14	14	2.9	2.7	107½*	101	4.4	Better grade.
Minnesota Pwr. & Lt. 1st & Ref. 4½s, 1978	36	29	2.1	1.7	102*	73	6.3	A good, medium grade issue.
New England Power 1st 5s, 1951	11	11	3.0	3.9	105	..	..	Better grade investment.
New York Edison								
1st Lien & Ref. "B" 5s, 1944	123	85	6.8	5.0	105*	105	4.4	High grade investment bond.
N. Y. Gas & El. Lt., Heat & Pwr. 1st 5s, 1948	123	15	6.8	5.0	N C	111	4.0	Assumed by New York Edison.
do P. M. 4s, 1949	123	21	6.8	5.0	N C	100	4.0	Gilt edged.
Northern States Power Co. (Minn.)								
1st & Ref. "A" 5s, 1941	100	79	2.8	2.4	102½*	100	5.0	Better grade.
Ref. 4½s, 1961	100	45	2.8	2.4	105*	90	5.2	Almost equivalent security to issue above.
Minneapolis Gen. El. 1st 5s, 12.1.34	100	6	2.8	2.4	110	102	3.4	High grade.
Oklahoma Gas & Electric Co.								
1st 5s, 1950	43	35	2.0	1.8	104*	86	6.4	Medium grade only.
Deb. "A" 6s, 1940	43	7	2.0	1.8	102½*	76	11.0	Jr. to issue above and prior liens thereto.
Utah Power & Light Co.								
1st 5s, 1944	42	37	1.8	1.6	105	65	10.4	Of fair caliber only.
1st & Gen. 4½s, 1944	42	6	1.8	1.6	102¼	65	9.8	Equal amount of 1st 5s pledged hereunder.
Deb. "A" 6s, 2022	42	5	1.8	1.6	110*	..	..	Junior to two issues above. Semi-speculative.
Utah Lt. & Trac. 1st & Ref. "A" 5s, '44	14	12	1.0	1.0	105	57	12.2	Guaranteed by Utah Power & Light.

Industrials

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1931	1932	Call‡	Recent	Yield to Maturity	COMMENT
Aluminum Co. of America Deb. 5s, 1952	37	36	..	..	105*	98	5.2	Some doubt as to real status, but probably reasonably safe issue.
American Radiator Deb. 4½s, 1947	10	10	1.3	def	101½*	100	4.5	Company's business is still disappointing, but bond is a strong one.
American Rolling Mill Deb. 5s, 1948	41	37	def.	def.	103½*	72	8.3	Doing better. Plans laid to meet November maturity.
Com'l Investment Tr. Conv. Deb. 5½s, '49	20	20	4.5	4.2	110*	103	5.2	Good, sound bond.
Goodrich (B. F.)								
1st 6½s, 1947	43	19	def.	def.	107	94	7.2	Medium grade.
Conv. Deb. 6s, 1945	43	23	def.	def.	106*	68	10.8	Junior to issue above, though better prospects probably not over-discounted at current prices.
Strawbridge & Clothier 1st 5s, 1948	12	11	1.4	.8	103*	..	..	Almost speculative, though prospects better.
Remington-Rand Deb. "A" 5½s, 1947	18	18	def.c	def.c	104*	77	8.3	c Years to 3.31. Still speculative, though Co. strong financially.
United States Steel Corp.								
Illinois Steel Deb. 4½s, 1940	99	19	def.a	def.a	105	103	4.0	a U. S. Steel's earnings, guarantor. All are high grade bonds.
C. L. S. & East. 1st 4½s, 1969	99	9	def.a	def.a	110	103	4.3	
Frick (H. C.) Coke Pitts-Mont. P. M. 5s, 1933-44	99	7	def.a	def.a	N C	..	..	
Not Guaranteed.								
Elgin, Joliet & East. Rly 1st 5s, 1941	12	10	def.	def.	N C	97	5.5	While late conditions have lowered caliber somewhat, is probably attractive now.
Tenn. C. & I. R. R. Gen. 5s, 1951	..	11	..	..	N C	104	4.7	Strong, well-secured bond.

Short-Term Issues

Company	Due Date	Amount of this issue (mil'ns)	1931	1932	Call‡	Recent	Yield to Maturity	COMMENT
Atlantic Refining Deb. 5s	7.1.37	14	1.6	5.9	N C	104	3.9	Good grade investment.
Buffalo Gen. El. 1st Ref. 5s	4.1.39	7	3.5	2.6	105	106	3.8	High grade bond.
Chicago Gas, Light & Coke 1st 5s	7.1.37	10	2.9	..	N C	102	4.4	High grade investment.
Gulf Oil Deb. 5s	12.1.37	28	def.	1.4	103½	101	4.7	"Medium to high" grade issue.
Humble Oil & Refining Deb. 5s	4.1.37	20	2.1	9.1	102	104	3.8	Wide margin earned last year over interest requirements. High grade.
New York Telephone 1st & Gen. 4½s	11.1.39	61	4.7	3.7	110	104	3.7	Gilt-edged.
Pacific Tel. & Tel. 1st & Col. 5s	1.2.37	27	4 5	4.1	110	106	3.5	Of the highest grade.
Virginia Rail & Pr. 1st & Ref. (now 1st) 5s	7.1.34	11	3.[illegible]	..	105	102	2.9	Strong issue.

† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded debt and other debt, rents for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc. ‡ An entry such as 105 '36 means that the bond is not callable until 1936 at the price named. * Indicates that the issue is callable as a whole or in part at gradually decreasing prices.

INTERNATIONAL NICKEL CO.

Prospects Brighter for World's Leading Nickel Producer

Recovery of Former Earning Power in Prospect as Demand for Nickel Products Increases—By-Product Metals Should Enhance Revenue

By William Wren Hay

Consumption of Nickel

(Tons of 2000 Pounds)

Year	World	United States	Motor Cars
1928	58,500	25,000	7,000
1929	68,000	31,000	8,075
1930	44,000	17,750	5,450
1931	36,500	12,500	4,000
1932	28,500	6,500	1,875

CORPORATIONS which exercise a quasi-monopoly over the supply of some essential raw material are much sought after by investors because the very existence of the monopoly would seem to protect the stockholder from losses. On the other hand, most monopolies are unable to obtain more than an ordinary rate of return on their capital, for two reasons; first, they are seldom able to control the demand for their production; and second, in order to perpetuate the monopoly they are forced to invest sufficient capital to meet all the demands made upon them.

This is especially true of International Nickel Co. of Canada, Ltd., which has a virtual world monopoly of nickel production, and of Aluminum Co. of America, which is presumed to have a monopoly of the aluminum bearing ores in America. Both of these concerns have had to expend a great deal of money and effort to induce manufacturers to use their metals and both of them have had to invest large amounts of capital in facilities to supply nickel and aluminum, respectively, to any and all buyers in any quantities at any time. In ordinary times, demand taxes them to the utmost and they earn a fair return on the engaged capital; at all other times, their facilities become a burden and they are unprofitable. On the other hand, the use of both of these comparatively new metals in industry is growing rapidly and much more may be expected of both of them.

The earliest use on a large scale for nickel was in steels for ordnance and for armor plate and up to the close of the World War this demand was so urgent that it over-shadowed all other uses. Notwithstanding the fact that the world race to build large navies was what made it originally profitable to exploit the Canadian nickel mines on a grand scale, many other outlets were cultivated successfully and the use of nickel for war and peace purposes was nearly balanced before hostilities commenced. During warfare, the demand for this essential metal caused its production to be doubled and redoubled, but when peace was restored, nickel became a drug on the market because its other outlets had been neglected or it was displaced by other metals.

New Uses Broaden Demand

However, a definite and directed program of sales promotion was undertaken and the restoration of consumption where nickel had been already established was rapid while new uses were developed and pushed so successfully that the use of nickel for peacetime purposes was greater, both in 1928 and in 1929, than it had ever been during the war. Furthermore, the demand for nickel now comes from many of the fastest-growing markets everywhere and now that its use has been firmly established throughout the world, a revival of naval building seems to be getting under way and a portion of this large outlet is being restored.

The present corp ration is a Canadian enterprise and was organized under the Companies Act of the Dominion of Canada, in 1916; it was reorganized in 1928, as a holding company and now owns and operates properties in Canada, the United States and in Great Britain. Its mining properties in Canada are recognized as the richest mineral deposit anywhere in the world and its proved ore reserves are sufficient to last more than a quarter-century at normal rates of growth of world consumption, while there is reason to believe that its mineral zones will be able to supply the requirements of the entire world for at least 50 years to come. There is no metal, other than nickel, of which so large a proportion of the known supply is found in one country and, since International Nickel owns practically the entire supply in Canada, its monopoly is assured for more years than the ordinary shareholder contemplates when he buys a common stock.

The mineral reserves of this enterprise include nickel and copper ores, combined ores and precious metals. Copper has become increasingly important to International Nickel, it is the largest producer of platinum in the world and large amounts of gold and silver are also recovered. As a source of income, the precious metals

accounted for over 20 cents per share, in 1930, and promise even larger revenues in future.

Two years ago, the company completed a large program of expansion which involved the expenditure of more than 50 million dollars and, since in the interim it also acquired The Mond Nickel Co., Ltd. (England), total capital has been increased nearly $100,000,000 in five years. Owing to the importance of its refineries and fabricating plants, International Nickel is more of a processing concern than a mining enterprise. Through its subsidiaries in this country and in England, it refines, markets and fabricates nickel, copper, copper-nickel alloys (Monel Metal), precious metals and by-products.

Ample Facilities

Facilities have now been provided for the anticipated world demands for the company's production for many years to come and now enable the company to mine, mill and refine 90,000 tons of nickel, 120,000 tons of copper and 300,000 ounces of platinum annually, to say nothing of 3 million ounces of silver and 150,000 ounces of gold. When the state of world trade enables International Nickel to operate at high rates of its capacities it is quite probable that this Canadian property may then be the world's lowest-cost producer of copper. Sales of nickel in all forms aggregated more than 60,000 tons in 1929, the year of greatest consumption so far and from this level it would be 5 or 6 years longer before the full capacity of the present facilities would be fully taxed. The consumption of nickel is stated to have been growing at the rate of 8½% annually, but the evidence now inclines towards a more uniform increase from year to year, of about 12,000 tons.

The principal uses of nickel are in alloy steels and castings, non-ferrous alloys, in plating and as a chemical; it is rolled, formed and cast; and sales of "Monel Metal" have grown to large importance. In 1920, when a large market for nickel was wiped out by world-wide disarmament, the first rolling mill was set up in this country and a research organization was started. About the same time, nickel alloy steels were beginning to be adopted in this country and the succeeding years witnessed the rapid adoption of nickel throughout industry for many purposes. More recently there was a very fast development of corrosion resistant (chrome-nickel) steels which not only consumed large amounts of nickel but intensified the demand for "Monel Metal," which compares favorably in appearance and in other desirable qualities. Last year, International Nickel appealed directly to consumers, advertising "Monel Metal" kitchen sinks. These developments have not been confined to the United States, but have been world-wide. Even the debasement of silver coinage or the use of other coins required nickel to replace the silver content. The only common denominator of use whereby to measure the relative growth of our consumption of nickel is pig iron because by far the largest amount of nickel is melted to make iron and steel alloys. Pounds of nickel imported into the United States per ton of pig iron made here increased from being slightly over 1 pound, prior to 1925, to over 2 pounds per ton by 1930.

United States Is Largest User

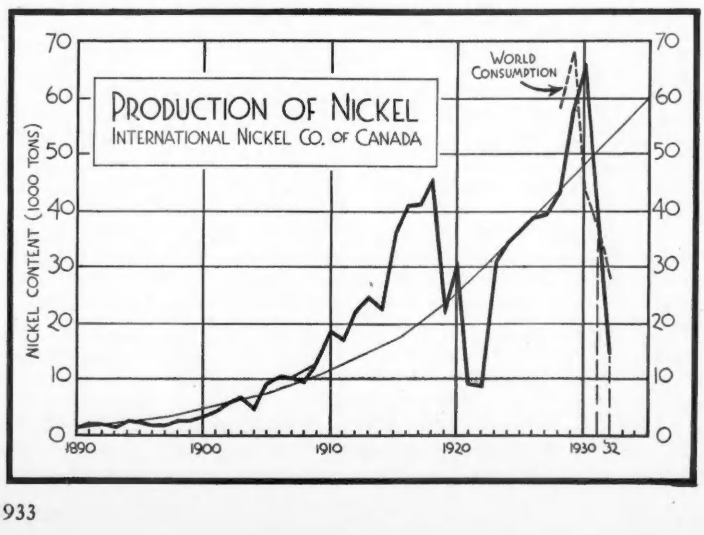
The United States is by far the biggest customer International Nickel has and during the past 5 years we took 53.5% of its entire sales of nickel and consumed 45% of the entire world takings of all nickel. The motor car industry is the largest single user of this metal, as it is of many raw materials and it is estimated that the average motor car requires a little over 6 pounds of nickel in the form of alloy steel or otherwise, while for several years this giant industry has taken about 28% of our total consumption of nickel.

The capital structure of International Nickel, when examined in detail, appears rather intricate at first glance because many corporate changes and mergers have left several classes of preferred stock outstanding besides various funded debts of subsidiaries. However, the stock market is mainly concerned with the 14,584,000 shares of no-par value common stock, of which 14,584,049 shares are authorized to be issued on exchange of all minority interests, etc. When the present corporation was re-organized, in 1928, shareholders of the former parent company received 6 shares of the present common stock for each share of the old New Jersey company. This was equivalent to a 6-for-1 split-up, which caused the old stock to sell for 43 times current earnings.

Recovery Begins

Last year the present shares sold down to 3½ on a small deficit, but have recovered to the current level around 20 with the indications of returning earning power. As of June 30, the company reported net income equivalent to 10 cents a share on the common stock for the second quarter against a small deficit in the same period of last year. Indications are that further improvement will be shown in ensuing months. If motor car sales are sustained and the demand for stainless steels and other alloys continues to increase, it is reasonable to expect International Nickel to regain an earning power of $1.50 per share. This was its estimated potential earning rate even before expansion was undertaken. With normal world conditions it might conceivably be higher—depending in some measure on the price for copper. No dividends are being paid on the common stock at this time, but a rapid recovery of nickel consumption is in progress all over the world and warrants the expectation of prompt resumption of such payments.

International Nickel will be free in large part from the restrictions on profits now being self-imposed by American corporations under the National Industrial Recovery Act. The company is also outside the aurora of inflation in this country and since it controls absolutely the market price of nickel, dollar earnings would be enhanced with inflation.



Moving From Red Ink to Black

These Six Companies Have Put Deficits Behind Them and Are Showing an Upward Earnings Trend Likely to Be Extended in Autumn Business Activity

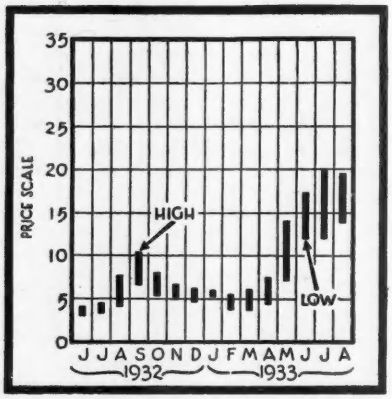
Selected by The Magazine of Wall Street Staff

Glidden Co.

RECENT surveys have indicated that on a basis of actual physical quantities there has been but little decline in the consumption of basic food products during the depression. Comparisons on a dollar sales basis are, of course, another thing. On the other hand, paint consumption has dropped off severely, both as to volume and dollars. For these reasons, diversification of the Glidden Co. into the food field during the past few years has been a fortunate venture. The relative stability of the food division has enabled the company to show some operating income in even the worst year.

Glidden's experience in paints and varnishes dates back over 60 years. The food division is a product of recent growth and has been built up to the point where it contributed 45% of total sales in the 1932 fiscal year, equaling the paint and varnish division. Chemicals and pigments supply the remaining 10%. About 40% of the paint and varnish products are sold at retail, largely through the company's own stores located principally in the South, but also through chain and independent paint stores. The balance goes to the automobile, building, railway, farm machinery, radio, furniture and many other industries.

The food division had its beginning in a desire to utilize more fully the capacity of the company's crushing mills. And the first move was the production of edible oils, principally from copra, the dried kernel of the cocoanut. In 1929, while engaged in expanding this division, Glidden acquired, among others, E. A. Durkee & Co. Later the name was changed to Durkee Famous Foods, Inc., and around this nucleus the food business has been consolidated. In addition to Durkee's "Famous" salad dressing, mayonnaise dressings and other condiments, products include cocoanut butter, various cocoanut oils, shredded cocoanut and table margerines.



During the depression Glidden has strengthened its position through increased plant efficiency and a program of debt reduction. Total funded debt is now $4,500,000 of 5½% notes, due June 1, 1935, against $6,000,000 outstanding in 1930. Subsidiary funded debt has been reduced $100,000, to a present total of $180,000. The financial position is strong, with the ratio of current assets to liabilities better than 11 to 1. There is $6,500,000 7% cumulative prior preference stock ahead of the 650,000 shares of no-par common.

Earnings have turned sharply upward in recent months. For the latest fiscal year, ended October 31, 1932, the company showed only 6 cents for the common, after crediting to income such non-recurring items as discount on bonds retired, tax refunds, etc. Reflecting increased volume and higher prices in all divisions, earnings for the nine months ended July 31, were 90 cents per common share, against a deficit of 60 cents on the common in the corresponding period of 1932. For the July quarter, $1.20 was shown for the common, against a deficit of 33 cents for the three months last year.

With such rapid strides being made in restoring earning power, and with the preference dividend slate clear, the common is in line for dividend resumption. The latest payment was 30 cents quarterly in 1930. If the earnings trend is maintained, a higher price than the recent $19 a share would seem to be warranted for the common.

Motor Products Corp.

LIKE the motor companies themselves, most of the suppliers of parts and accessories are dependent upon volume for profits. Plants are generally set up for straight-line mass production, and without volume such efficiencies are little more than theoretical. This situation explains why parts makers are generally plunged into the "red ink" whenever automobile manufacturing operations decline for any length of time. By the same token, it is but a short road back to "black ink" when motor manufacturers in general begin to put out the "Help Wanted" signs.

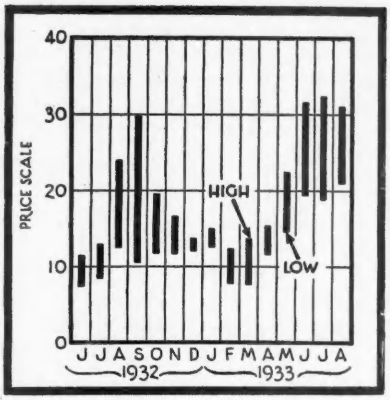
Motor Products Corp. makes quite an extensive repertoire of parts which go into the original equipment of automobiles. The list includes radiators, windshields, fenders, hoods, mufflers,

cowls, hubs, hub caps, exhaust pipes and motor manifolds. Its main plant is in Detroit, and it also operates nickel and chromium plating plants.

Through its predecessor companies, Motor Products has been in the business since 1916, and its sales connections are now such that it supplies one or more products to practically every important automoile manufacturer, including Ford, Hudson, Packard, Chrysler and most General Motors divisions.

With its wide list of products and its broad market among motor makers, Motor Products reflects, in its operations and earnings, every turn and twist in automobile manufacturing activities. In the March quarter, when car sales were low, it reported a deficit of 77 cents for its stock. In the June quarter, with motor production sharply expanding, there was such an about-face in earnings that a balance of $1.03 was shown for the stock, against 29 cents in the corresponding three months of 1932. For the first half of this year, earnings were 25 cents a share, against a deficit of 65 cents in the first six months of 1932.

Over the years, earning power has fluctuated quite as widely. Adjusted to reflect the retirement of preferred



stock in 1929 through issuance of additional common, the following comparisons are shown: $7.60 per share in 1925, followed by a drop to $2.02 in 1926 and a small increase in 1927; in 1928, record earnings of $13.52; 1929, $10.85, followed by a drop to $2.49 in 1930. In 1931 there was a small net loss, while 1932 resulted in an operating loss of $319,000.

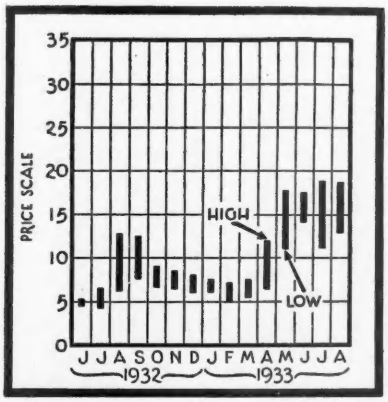
The company has no funded debt, the only capital obligation outstanding consisting of 190,985 shares of no-par common. This restricted capitalization is necessarily quite volatile in its market action. Dividend policy is liberal, and justifiably so, what with no senior obligations and a relatively strong financial position. The $2 annual rate, begun in 1927, was maintained to the end of 1932, although not earned in either 1931 or 1932. In 1929, the total distribution, including extras, was $10. With the motor industry looking to an active autumn selling season, Motor Products is attractive around the recent level of $31. For if earnings are maintained at anywhere near the June quarter rate, resumption of dividends would likely be in the cards before many months have passed.

Raybestos-Manhattan, Inc.

RAYBESTOS - MANHATTAN is one of those good-time consolidations, which, having been put together just before the business recession set in, has never had a chance to prove itself under consistently favorable operating conditions. Dependent upon the automotive field for approximately 50% of its sales volume, with the remainder supplied by a diversified group of industries, its business necessarily suffered severely just at the time it was all set to go.

It was in July, 1929, that the Raybestos Co., United States Asbestos Co. and Manhattan Rubber Manufacturing Co. were consolidated to form Raybestos-Manhattan, Inc. The consolidated company produces an extensive line of standard and specialized asbestos and rubber products, such as asbestos textiles, brakes, brake service equipment, rivets and rivet setting machinery, clutch facings, fan belts, rubber belting for various industrial purposes, rubber hose, rubber lined tanks, pipe, etc. The company is among the largest manufacturers of brake linings and clutch facings. Its products are distributed in the United States through branch offices in the principal cities; in Europe through an English subsidiary and other agencies.

Having no burden of funded debt to drain its resources, Raybestos has been able to maintain a strong financial position while maintaining dividend



payments on the only capital obligation —647,400 shares of no-par stock. There was a net loss of $457,000 in 1932, when sales were off 33% from 1931. The total volume of slightly less than $8,000,000 compared with the the record sales total of over $22,000,000 in 1929. In 1931 net earnings were $554,000, a sum which was severely reduced by charge-offs of $481,000 for adjustments of inventories and Canadian exchange. In 1930, $1.75 was shown for the stock, against $4.83 in 1929.

Raybestos broke definitely into the black in the June quarter, with earnings of 46 cents a share, against a loss in the March quarter. For the first half of the current year earnings were 36 cents a share, against a deficit figured at 18 cents a share in the first six months of 1932. With automobile manufacturing holding well above the 1932 level and with general industrial activity likely to score further advances in the autumn, the earnings trend in the near future should be favorable.

The company's property account, less notably conservative reserves for depreciation, is carried at only $6,674,592. It is worth noting that this item of fixed investment, one of the major problems of any manufacturing enterprise, only slightly exceeds net current assets. The latter item, as of March 31, was $6,307,351, including cash of $583,842 and $2,568,043 in marketable securities. This compares with current liabilities of only $357,558.

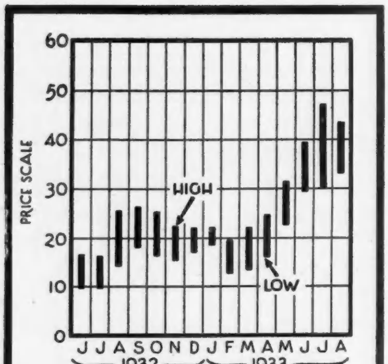
Dividends are currently being paid at the annual rate of 60 cents per share. Last year, 70 cents was paid, while in 1930 the rate was 65 cents quarterly. Continued earnings at the present rate would probably result in a larger distribution to stockholders. The earnings outlook is brightened by the consideration that adjustments due to consolidation have probably been completed during the years of depression, so that Raybestos should be in a position to reap the full benefits of good times. That the stock is still reasonably priced, at recent levels around $18 to $19, is revealed by the fact that about half the market valuation is represented by net current assets alone.

Sears, Roebuck & Co.

WITH its retail stores, which were something of a white elephant last year, again operating in the black, Sears, Roebuck apparently has definitely turned the corner. Price declines which brought inventory write-offs, and a practically non-existent consumer purchasing power, resulted in a loss of $4,302,960 from retail store operations in the 56 weeks ended January 28, 1933. Another major source of loss last year was the home construction division, which ran $1,154,984 into the "red." Factory operations showed a small profit, and the mail order division returned a profit of $3,104,515. Last year's net loss of $2,544,000 was the first since 1921.

In the 24 weeks ended July 15, this year, mail order, retail stores and factories all showed profits, with the home construction and Encyclopedia Brittanica divisions still in the "red." The turn came in April, for up to March 25 there was a loss of $1,587,000, and in the period from March 26 to July 15 there was a profit of $3,206,000. Net before Federal taxes, but after depreciation, for the 24 weeks was $1,619,811, against a deficit of $2,120,019 for the corresponding period last year. Earnings figure out at 34 cents per share, against a deficit of 44 cents last year. And this result was achieved after writing off and charging to current expenses the $350,000 cost of the Sears building at the Century of Progress Exposition, $150,000 out of $233,000 deposits in closed banks, and more than $300,000 additional for other capital items and non-recurring losses.

Sears' retail store business now accounts for over 50% of its total volume. The company has had eight years of store retailing experience, during which it has overcome several difficult operating and personnel problems. During the past three years, particularly, great progress has been made in putting the large department—or Class "A"—stores on an efficient basis. Until 1932 retail store sales held up well, but in that year the large stores, for the first time, showed a loss. The "B" stores, stocking mainly hardware, tires and accessories, radios, electrical appliances and sporting goods, experienced a sharper decline in sales and heavier losses. Although their average volume is considerably less, there are 239 "B" stores, as compared with 49 "A" stores. The 94 "C" stores, which carry only the most staple merchandise and are located principally in large cities and their suburbs, were able to show a profit even in 1932.



Unlike many chain systems, Sears is in a relatively good position as to leases. Out of a total of 345 leased stores, the leases on 135 expire in 1933 and 1934, with 92 others expiring between 1935 and 1937. Its recent long-term leases have been made on a percentage basis. The ratio of rentals to sales volume in 1932, while higher than in any previous year due to falling dollar volume, was less than 4%. Nearby lease expirations will permit of downward adjustment of an important element of costs.

Operations under N R A, it is estimated, will add about 15% to payrolls, with most of the addition falling upon the retail stores. But an equivalent percentage gain in sales would restore the previous ratio of payrolls to gross volume. It is evident from the recent earnings statement that re-employment and increasing payrolls under the Blue Eagle are reviving purchasing power. Meanwhile, with prices rising, write-downs have become less than normal, and it is reported that Sears bought merchandise on a large scale before the price advance began.

Farm revenues are of greatest importance to the mail order division. In the nine years from 1923 to 1932, Sears' mail order sales amounted to an almost uniform proportion of 2% of farm income. This division, therefore, will profit according to the degree of success achieved by the Agricultural Adjustment Administration.

Everything points to continued profits recovery in merchandise sales divisions. Sears is still strong financially, despite the backing up of home construction mortgages. As the leading mail order house and the largest retail distributor, the company should share importantly in returning prosperity. These considerations make the stock attractive around recent levels of $43, even though dividend resumption may be some distance off.

Baltimore & Ohio

FOR the first time in four years Baltimore & Ohio's car-loadings ran ahead of the previous year last June. Since that time operating revenues have shown a striking come-back, helped largely by increased operations in the Pittsburgh industrial area. Net operating income in July was $4,232,308, against $1,641,586 for the month last year. Seven months' net operating income was $15,271,273, as compared with $10,683,758 for the period last year.

It is estimated that net income for July was around $1,800,000, after proportional charges—or about 63 cents a common share. The net for July just about equalled the deficit after charges for the first seven months; so that another month of similar earnings would even things up.

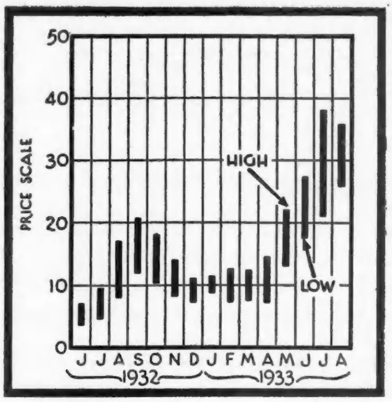
Largely reflecting an increase in payrolls and maintenance, expenditures increased more than a million dollars, only about $2,600,000 of a gross gain of $4,150,000 being carried over to net operating income for the month of July. While the ratio of total operating expenses to gross was just under 60%, the transportation ratio was the lowest in years—28.08%. The additional gross business was handled at an added transportation cost of $333,844.

The current earnings status would seem to indicate clear sailing for the equities; but it happens that finances still exhibit the marks of one rather bad year and the difficulties of meeting maturities. Of all the nation's carriers, B. & O. is the largest borrower from the R. F. C., with a total of $70,000,000 of such obligations, if we include $2,500,000 loaned to the Alton. But most of this money was borrowed to pay off maturing bond issues, and not to pay interest. Therefore, the effect has been not to increase the total indebtedness, but rather to add to the

burden of fixed charges through higher interest rates on R. F. C. loans. Last year fixed charges were $33,390,000, against $28,000,000 in 1929.

But B. & O. covered its fixed charges in 1930 and 1931, with $7.44 earned for the common in the first year and 42 cents in the second. Only in 1932 did it fail to earn interest, showing for that year a net loss of $6,335,000 after charges, as compared with a profit of $3,428,000 in 1931. In 1929, profits were $28,768,000, which meant $10.31 for the common.

The latest available balance sheet showed current liabilities in excess of current assets; but this position is likely to be considerably changed before the end of this year, if earnings are maintained, and the process of all-around financial rehabilitation should make rapid strides. Since the $58,863,162 4% preferred stock is non-cumulative, restored earning power on the 2,562,953 shares of $100-par common stock is practically in sight. Funded debt amounts to $596,452,046,



or about 65% of total capitalization, and is not excessive for the property.

With its controlled roads—the Reading, Central of New Jersey; Buffalo, Rochester & Pittsburgh; and Alton Railroad—the system comprises some 10,750 miles. The lines cover a rich territory between the Eastern seaboard and Chicago and Lake Erie, with connections to many important traffic centers. Manufactures and miscellaneous freight lead in revenues, contributing about 47%, although their tonnage ratio, at about 30%, is second to bituminous coal which accounts for about 46% of tonnage and about 29% of revenues.

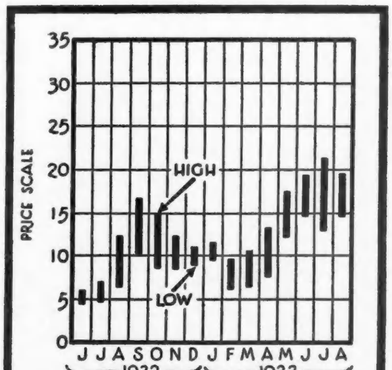
Losses of coal traffic were more severe than in other classes of freight last year, chiefly due to the low rate of steel operations in the Pittsburgh district. Some of the loss in bituminous tonnage was also attributable to stiff competition from Southern fields and labor difficulties. With competition in the coal fields lessened by operations under the code and with the industrial pick-up giving indications of renewed vigor in the autumn, the outlook is now such as to indicate higher levels for both the common and preferred stocks in the autumn. Both stocks have recently been selling around $36, the preferred having less longer-term attractiveness because of its limitation to a $4 dividend. The B. & O. management is progressive and efficient.

Bendix Aviation Corp.

THE almost perpendicular upturn in the automobile sales curve which began in April pulled Bendix out of the "red" with the alacrity of one of its own starters. Operations for the first quarter of this year had resulted in a net loss of $267,463. Net profits for the June quarter were $816,849, or the equivalent of 39 cents a share. These results wiped out the deficit of the first three months and left a net profit of $549,386 for the first half of 1933, or 26 cents a share, as contrasted with a net loss of $52,126 in the first six months of last year.

Bendix Aviation Corp. is well intrenched in the automotive field. Its name is a bit misleading, for the volume of business done with the automotive industry is about ten times that with the aviation industry. Bendix is a holding company, organized in April, 1929, to control some twenty domestic subsidiaries, together with affiliated foreign companies. To combine manufacturing activities of smaller units with larger ones, the Bendix Products Corp. was organized in 1931, concentrating major production activities at South Bend. Names of subsidiaries have been preserved, but they now function only in a sales capacity.

The measure of Bendix's importance to the automotive field—and *vice versa*—is indicated by the fact that under contracts in force early this year it was supplying about 80% of the starting drives, 30% of the brakes and 12%



of the carburetors used by that industry. And this position is being continually strengthened by research in the development of new products. "Startix," which eliminates use of the floor starter button, and "Bendix Clutch Control"—both introduced in 1931—are standard equipment on many 1933 models. Newer products include B-K vacuum power brakes, automatic transmissions and air-operated steering devices.

Although accounting for only a small part of its present volume, the company's aviation operations promise to build up importantly over the longer future along with the growth of that industry. A great many Bendix products are standard equipment on most planes—such as the duplex brake and rudder control, earth inductor compasses, bank and turn indicators, and navigation lights. The company makes virtually all the aviation starters used in this country and the majority of generators for lighting and other electrical needs.

Capital structure is simple. There is no funded debt, with the exception of about $432,000 real estate mortgages and miscellaneous obligations, and the only outstanding stock consists of 2,097,663 shares of $5-par common. General Motors owns 500,000 shares, or nearly one-quarter of this amount, and two vice-presidents of the motor company are on the board.

Despite a reduction of about a million dollars in net working capital in 1932, when operations resulted in a net loss of $1,210,000, a strong financial position has been maintained. At the close of last year current assets were nearly $8,000,000, including cash and government securities of $3,537,000, against current liabilities of $1,340,000. In 1930 there was a severe drop in profits from the $3.65 reported for 1929, with only 57 cents shown for the stock. In 1931 net was 74 cents.

The outlook for the stock closely parallels that of the major motor units. The reading of this outlook varies, but there is a well-founded opinion that the industry is definitely on the mend and that deferred requirements should be sufficient to hold at least a good part of the recent sales gain until a broader general purchasing power is restored.

READERS' FORUM

The Readers' Forum is intended exclusively to serve in the discussion of problems of general investment interest. It welcomes free expression of opinion. The services of this department also are available for answering investment questions of general interest excluding inquiries regarding the position or prospects of individual securities.

Things Our Readers Think

An Insider Reports on Automobiles—What One American Saw in Europe—The Profit Motive

Editor, READERS' FORUM:

During the depths of the depression there seemed to be a tendency for purchasers of automobiles to pay cash for the entire transaction, apparently for the reason that many individuals because of their lack of confidence in the banks felt that it was more desirable to pay in full for their purchase than it was to keep either the money in the bank or to hide it somewhere. There was also the incentive, natural at any time, of threatened inflation, of transferring values from money to goods. Statistics of the National Association of Finance Companies show that during 1932, 48.6% of the cars were sold on time, whereas in 1931 the sales of cars on deferred payment plans amounted to 61.3%. Recently, since business has improved slightly and more confidence prevails, we do not hear so much about people buying for cash, and it would seem from my observations that the percentage of sales on time is probably normal.

I sincerely believe that if we have no relapse and business continues to improve, we will have even a bigger market in motor cars than we have seen in the last few months. It should be perfectly obvious that the potential buying power must be great. For example, all of the cars built in 1929, the banner year for production, are already more than four years old and there are many others on the highways which are considerably older and must be replaced.

I have seen many instances in the past three months where individuals who felt they could ill afford to buy a car were forced to do so because it was so much more expensive to run the old car than it was to buy a new one. The market, I am sure, is full of many cases similar to these.—A. C., Detroit, Mich.

German Reign of Terror

Editor, READERS' FORUM:

The most interesting part of my recent European tour of observation in Europe was a visit to Germany. My connections there gave me considerable information not altogether complimentary to the Hitler regime. Much that American publications have printed gives an altogether inadequate idea of the Nazi reign of terror. It makes me thankful that I am an American. Indeed, I feel that I will perhaps be a better one; certainly a more appreciative one because of my experiences.

In my opinion, and from all I can learn, France will not be able to remain long on the gold standard nor will Holland or Switzerland. American affairs are being watched closely from abroad, and if our NRA program is a moderate success, England will try it but not France, nor Germany.—L. H., London.

Human Greed the Prime Mover

Editor, READERS' FORUM:

I take issue with one statement of General Johnson to the effect: "We need every good man on the ropes, and nobody is going to do a thing that makes him a peace profiteer by taking advantage of his fellows."

The General's rating of human nature is admirable, but at variance with the hard facts of life. What, more than anything else, has so far greased the wheels of planned economy, may we ask? Our answer would be that it is the same human trait which many hind-sighted prophets now aver sent us toppling in 1929—good old human greed. The buyers of stocks and commodities in the recent uprush were actuated not by patriotic motives, but by lively hopes of personal profit. And who shall say that the resulting uprush in prices did not save the country at a critical moment!

Apparently we have rated the brain-trust too high. We had thought they were wisely building their recovery machine to utilize that illimitable prime mover of economics—human greed. Evidently, they have accidentally builded better than they knew.—J. G. D., Plainfield, N. J.

What Congress Meant

Editor, READERS' FORUM:

In the very interesting article, entitled "Bank Deposits Guaranteed" by Robert H. Hemphill, the following language is used:

"You will have to give your bank or your savings bank . . . . the prescribed thirty or sixty days' notice to withdraw your money, and the bank will not be permitted to waive this provision as they now almost universally do."

The undersigned wonders if Mr. Hemphill in making this statement took into consideration the entire meaning of the amendment to Section 17 of the Federal Reserve Act. The last section of said amendment is as follows:

"No member bank shall pay any

(*Please turn to page 550*)

Taking the Pulse of Business

—N R A Temporarily Slows Industry

—Seasonal Drag Also Noted

—Metal Prices Hold Well

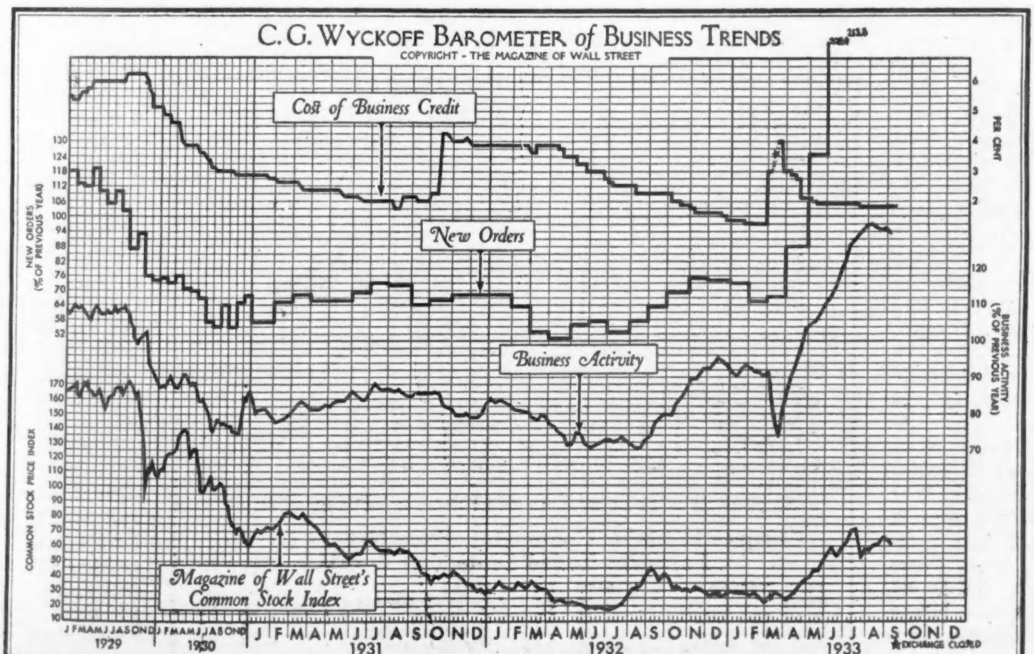
—Race Between Payrolls and Prices

THE story of business improvement since March might be told in two chapters. In Chapter I, prices of staple commodities and of common stocks rose violently under expectations that currency inflation was imminent. Then passage of the National Industrial Recovery Bill made it certain that labor costs would also rise. Obviously it was shrewd business for middlemen to stock up with goods while they were still cheap. Orders poured into the country's manufacturing plants, and production mounted rapidly in consequence. By July, our New Orders graph indicated that average bookings of new orders by producers had attained more than twice the volume received in July of the previous year. The physical volume of production, distribution and trade, as depicted by our Business Activity index, shot up to a level 32% higher than last year.

Chapter II, not yet finished, opened with the N R A drive to codify industry by Labor Day. It was too much to ask business to swallow bigger labor costs and still higher raw material prices at one gulp. So inflation talk was soft pedalled, and for the additional reason that it would scarcely be good psychology to offer the public Government bonds payable in current dollars which promised soon to shrink in purchasing power. With the prospect of inflation removed, for the time being at least, and as labor costs began to mount under actual operation of the codes, factory prices had to be raised, and the incentive for middlemen to acquire more goods was in large part removed. New orders booked by such basic industries as steel, textiles, lumber, and automobiles, began to fall off sharply; but plants were kept operating at high speed for awhile on the backlog of orders previously received. Raw material prices and the stock market broke, and then listlessly recovered part of their lost ground. Up to very recently, our Business Activity index remained comparatively stable near the highest level reached on the recovery; but, since our last issue, has begun to show signs of a belated summer reaction that is somewhat more than seasonal in magnitude—probably for the very reason that it has been so long postponed.

In the meantime, wholesale prices have risen considerably, and prospects of a sharp jump in retail prices have stampeded the consuming public into a "Buy Now" rush for merchandise. A considerable portion of these purchases are being made on the deferred payment plan, which is fine for the stores and the commercial credit companies while it lasts, but places a mortgage upon the higher incomes which workers are to receive under the codes. This consumer buying wave has already proceeded to the point where merchants are being obliged to re-stock with higher-cost goods, and the consequent enhancement in retail prices—especially for furniture and clothing, where wages had been most depressed and hence have recovered sharply—is beginning to curtail the physical volume of sales.

The contents of Chapter III remain to be unfolded by the future. We do know that accumulated inventories in the hands of middlemen are being reduced by re-orders from the retail trade. If payrolls under the code continue to rise



faster than retail prices, then a renewed wave of consumer buying will join with a second wave of mounting factory production, and the combined activity of these two great economic forces, which to date have acted separately, will cause a great upward surge in business activity, employment, and profits. Runaway retail prices at the present critical juncture, however, might precipitate a serious reaction in general business activity. Perhaps a clearer insight of nearby possibilities may be gleaned from a more detailed examination of a few leading industries.

The Trend of Major Industries

STEEL—The steel ingot rate dropped sharply to around 40% of capacity during the week embracing Labor Day; but, measured in percentages of current output, the decline was only a little greater than last year at the same date. Probably this will mark the lowest point in production between now and the year-end holidays; though new orders are likely to be postponed for a few weeks until customers can become reconciled to the new and higher schedule of prices and absence of concessions under the code. While pig iron prices have been advanced rather sharply since our last issue, the new schedule for finished steel products has not yet been completed and the composite price has risen only 1% during the first week of operation under the code. It is generally conceded that the larger producers will be materially benefited by the elimination of unfair competition on the part of smaller independents; but earnings for the remainder of the year will hinge largely upon the extent of the autumn revival in demand.

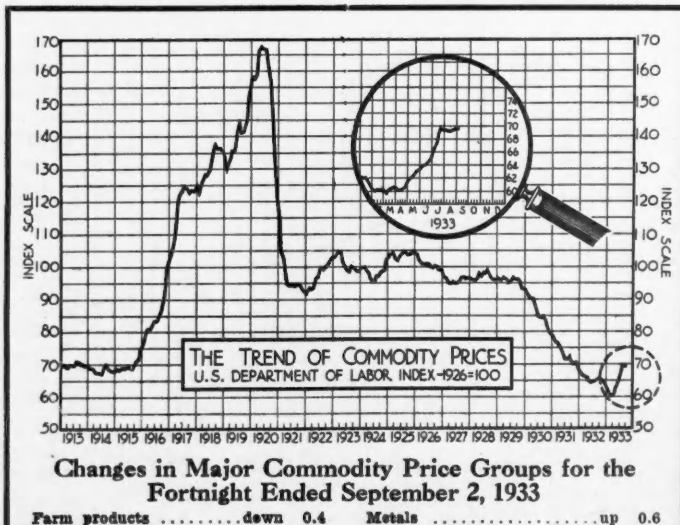
METALS—Metal prices have been conspicuously resistant to reactionary tendencies in other raw materials, owing largely to the higher labor costs which will be imposed by the codes. It is not expected, however, that these added costs will interfere seriously with earnings after sales pick up a little from the present level. Gold mines in this country and Alaska will profit considerably from the recent ruling that mined gold may be sold to the Treasury at open market prices less cost of exporting. This means, under current exchange rates, that a unit of gold from the mines can now command a 50% higher price than formerly, when it had to be turned in at the arbitrary legal price of $20.67 an ounce. On the basis of last year's output such increased profits would amount to about $4,000,000 per annum for Homestake, $1,250,000 for Alaska Juneau, and $800,000 for U. S. Smelting. The increased value for domestic copper, lead, and zinc ores, in which gold occurs as a by-product, will generally reduce costs by less than ¼ cent per pound. Since domestic consumption of gold in the arts will take nearly all of the approximately 2,500,000 fine ounces mined here, very little will be left for export. Henceforth industrial users will have to pay the current price for the precious metal. Obviously this will increase the cost and the value of articles containing gold.

PETROLEUM—Considerable disappointment has been entertained at the order of the new Planning and Co-ordinating Committee of the oil industry in fixing the country's allowable production of crude at the relatively high daily average of 2,300,000 barrels. This is only about 400,000 barrels below actual average output during the past fortnight; but is more than 300,000 barrels higher than production last year at this time.

AUTOMOBILES—The seasonal decline this year in motor car sales has been so slight that it has amounted to only a hesitancy in production rather than the usual severe decline. In August more than 200,000 vehicles were assembled, with General Motors, Ford and Chrysler making 190,000. Profits achieved by these three small-car producers have been far in excess of their most optimistic hopes expressed six months ago. The code for the steel industry, the most outstanding feature of which is the uniform price stipulation, has aroused the most intense antagonism in automobile circles. Formerly it had been the practice of motor car materials buyers to play one steel firm off against another in order to secure maximum concessions in quotations. The abolition of this custom may subtract somewhat from the profit realized from current volume of output but since the automobile code does not attempt to regulate selling prices of cars, the consumer ultimately may be expected to pay for the gain in cost of materials. A high production rate for autumn is anticipated. Indicative of continued sustained demand, General Motors world sales in August totalled 97,614 units, as compared with 30,419 units in August, 1932, and with 106,918 units in July. The August gain over last year was more than 145%.

Conclusion

Dating from the moment when business began to come under the codes, the center of speculative interest has shifted from producers' to consumers' goods. Factory production, raw material prices, stocks and bonds, have been receding; while retail sales and prices are swept upward. If this wave of consumer buying can last long enough to absorb accumulated inventories and thereby stimulate a coincident revival in production, there will be a brisk resumption this autumn of the general recovery in business. The present danger is that retail prices will rise faster than consumer purchasing power, and so throttle the physical volume of sales at retail. Heavier open market operations by the Federal Reserve banks will lower the Cost of Business Credit and facilitate Government financing; but only by a tediously indirect path can this place additional purchasing power at the command of ultimate consumers.

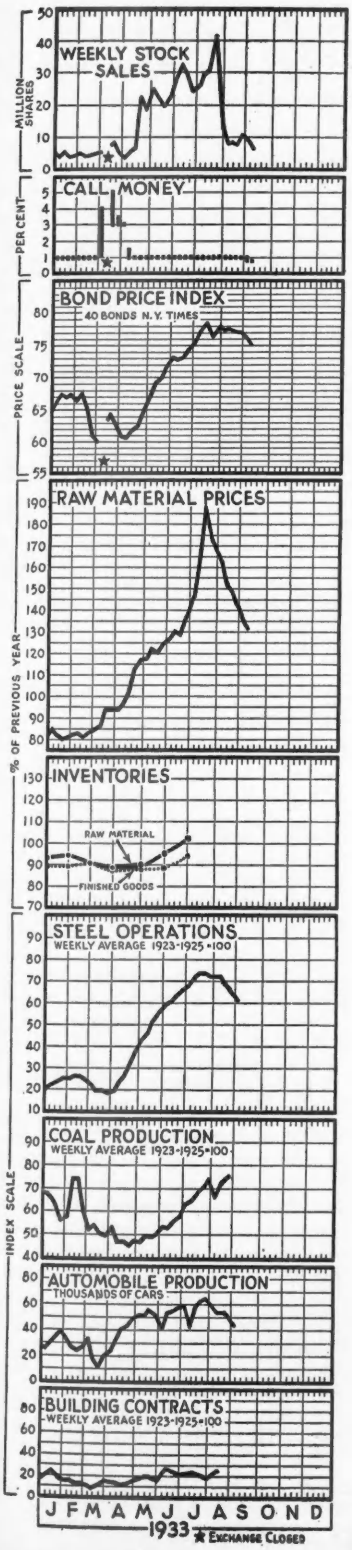


Changes in Major Commodity Price Groups for the Fortnight Ended September 2, 1933

Farm products	down	0.4	Metals	up	0.6
Foods	up	0.9	Building materials	up	0.2
Hides and leather	up	2.0	Chemicals	up	0.7
Textiles	up	0.1	Housefurnishings	up	0.6
Fuel and lighting	up	0.7	Miscellaneous	down	0.3

The Magazine of Wall Street's Indicators

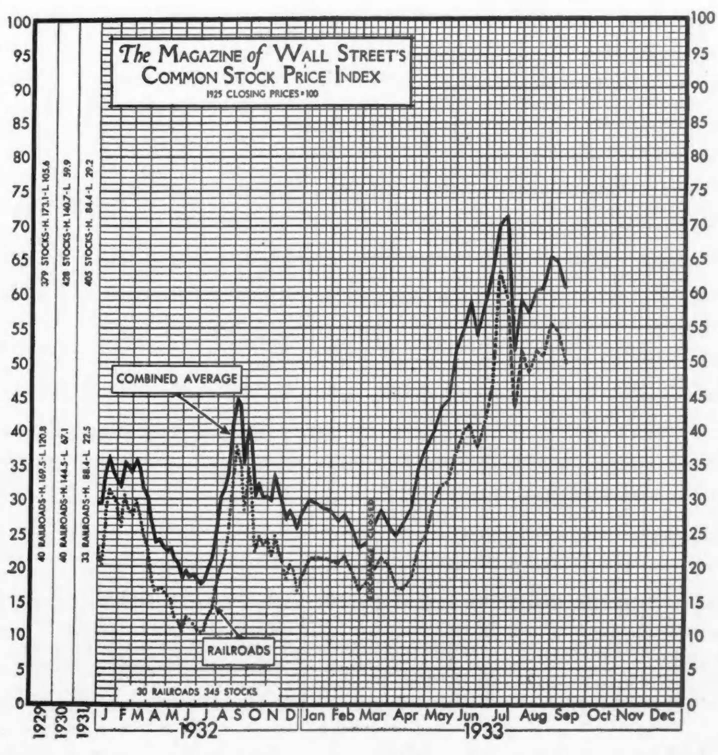
Business Indexes



Common Stock Price Index

1932 Indexes High	1932 Indexes Low	1932 Indexes Close	Number of Issues		1933 Indexes High	1933 Indexes Low	Aug. 26	Sept. 2	Sept. 9
45.0	17.5	27.4	280	COMBINED AVERAGE	71.3	22.7	65.2	64.9	60.8
66.8	17.9	32.3	3	Agricultural Implements	116.0	26.8	89.6	91.2	84.1
59.3	11.4	16.9	6	Amusements	37.8	7.3	35.3	33.0	31.7
31.3	10.7	17.5	14	Automobile Accessories	50.9	12.4	44.0	43.7	41.5
17.6	5.8	10.6	14	Automobiles	22.7	7.3	20.3	20.5	19.0
62.5	16.2	56.2	4	Aviation (1927 Cl.—100)	102.9	41.8	86.5	85.9	78.6
13.1	4.8	5.6	3	Baking (1926 Cl.—100)	26.5	5.1	22.8	21.1	20.2
129.9	60.1	96.0	2	Biscuit	157.5	79.9	153.6	155.8	150.8
83.8	29.6	47.4	5	Business Machines	128.8	39.8	120.3	118.8	110.8
119.0	51.0	101.5	2	Cans	173.2	92.9	170.1	173.2h	167.0
113.3	53.6	96.3	8	Chemicals & Dyes	278.7	73.2	255.7	249.0	239.3
44.3	13.1	18.9	2	Coal	45.9	12.0	40.5	38.1	34.0
24.8	9.9	14.2	14	Construction & Build. Mat.	38.7	11.2	35.6	35.0	32.2
57.2	14.9	24.0	8	Copper	86.4	21.2	75.8	75.2	71.2
57.8	28.3	32.6	2	Dairy Products	47.7	23.0	39.1	36.8	35.2
16.3	4.5	7.9	7	Department Stores	27.3	6.6	24.7	24.0	23.4
74.3	35.1	53.7	8	Drug & Toilet Articles	89.0	45.3	78.1	80.9	75.3
63.9	28.7	42.2	4	Electric Apparatus	104.0	35.6	91.2	89.0	83.3
58.7	23.7	33.2	2	Finance Companies	98.4	33.2	92.0	98.4h	94.0
56.1	28.3	39.5	5	Food Brands	75.2	32.6	71.4	69.8	66.4
56.4	33.9	49.6	3	Food Stores	77.5	40.5	67.0	65.4	63.2
41.8	11.7	17.0	2	Furniture & Floor Covering	58.0	13.8	58.0h	55.3	52.4
527.8	357.9	514.0	2	Gold Mining	1304.0	481.2	1299.0	1304.0H	1277.0
21.1	9.6	12.4	4	Household Equipment	29.3	10.5	29.3h	28.8	28.6
31.5	9.5	22.0	7	Investment Trusts	38.0	14.5	32.1	31.8	28.8
27.4	7.7	20.0	2	Mail Orders	47.4	13.5	47.4h	42.1	38.8
55.8	19.3	30.1	7	Metal Mining & Smelting	117.5	30.1	117.5h	116.3	109.1
42.4	21.6	33.2	24	Petroleum & Natural Gas	83.4	29.3	72.5	81.0	78.6
22.5	6.2	9.8	4	Phonos. & Radio (1927-100)	30.2	6.7	24.4	25.3	23.5
94.9	37.1	63.5	20	Public Utilities	104.0	40.8	78.4	78.5	67.9
37.8	12.0	17.7	8	Railroad Equipment	69.4	17.7	64.7	63.6	58.2
37.8	10.4	18.1	29	Railroads	63.0	16.3	55.5	54.6	49.9
44.4	14.9	27.0	2	Restaurants	38.9	19.9	31.1	29.6	27.8
89.9	58.0	60.8	2	Soft Drinks (1926 Cl.-100)	146.2	57.8	146.2h	141.5	133.7
45.9	11.7	23.3	7	Steel & Iron	69.1	19.1	60.8	57.7	54.5
12.4	3.8	7.3	3	Sugar	29.5	7.3	26.6	26.0	25.2
121.6	53.9	112.1	2	Sulphur	180.8	79.3	180.5	180.8h	170.5
57.2	21.0	35.9	3	Telephone & Telegraph	82.3	28.1	76.8	75.6	71.0
52.5	16.3	30.1	5	Textiles	82.2	22.5	68.0	66.1	62.7
11.0	2.5	4.4	4	Tires & Rubber	15.1	3.0	14.5	13.6	12.2
68.6	40.8	48.2	4	Tobacco	88.8	46.2	88.8h	88.1	85.8
57.0	17.9	22.7	3	Traction	49.0	22.3	41.7	39.7	37.9
50.9	23.3	34.3	2	Variety Stores	52.9	23.3	39.7	39.9	41.8

h—New high this year. H—New high record since 1928.



(An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights; and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

PERSONAL SERVICE SECTION

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer, by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested, or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts but be brief.
2. Confine your request to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

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AMERICAN CAN CO.

Is there any reason why American Can common has only doubled in price when many less prominent stocks have tripled or quadrupled in value? Shouldn't this company share in any business upturn or in inflation? Would you advise my adding 50 shares to 100 shares I already hold, and which average about 72?—R. R. K., Evanston, Ill.

American Can is one of the more conservative stocks, which did not sink to abysmal depths during the depression and hence has risen this year only to about double its low, while other highly speculative issues have advanced to several times their lows for the year. However, current levels are more than three times the 1932 low. Earnings have been fairly consistent, averaging $5.69 a share over the seven years from 1926 to 1932, inclusive, so that even the relatively small profit of $3.26 a share for last year was a creditable showing in view of conditions then prevailing. It is estimated that for 1933 the present $4 dividend rate will be covered easily, in view of the fact that only a 10% increase in sales over the 1932 figure would accomplish that result. If the business in "packers' cans" can be increased in proportion to the upturn elsewhere, satisfactory results should be achieved. The uncertainties of the food packing business are emphasized by the vicissitudes of weather and crop output in addition to the other conditions, making this the most variable factor in the situation. The company's business in "general line" cans for the paint, varnish, tobacco, oil and other non-food industries is more stable and is also enjoying a greater demand recently. Moreover, this department has possibilities of expansion as evidenced by the wider market now opening for the retail distribution of lubricating oil in sealed cans. Inventory enhancement is another favorable item since American Can has written down its supplies of tin plate to a value below either cost or market, while there has been a substantial increase in the price of that commodity since the end of last year. On December 31, 1932, current assets of $44,591,843 included $13,690,322 cash and $14,568,788 inventory, against current liabilities of only $9,610,819. At current prices, inventory would be much larger, augmenting the already great financial strength of the enterprise. Giving weight to all of these favorable factors, we approve of your suggestion to increase your holdings of American Can stock.

ERIE RAILROAD CO.

I have been told that although Erie common has never paid a dividend, its present rate of earnings could possibly permit the common stock being placed on a dividend-paying basis in the not-distant future. Do you think this possibility warrants my holding 100 shares bought at 41⅞? Do you think I should switch for greater speculative possibilities?—K. G., Philadelphia, Pa.

An illustration of the improvement in railroad traffic and earnings is found in Erie Railroad's results for last July, when gross was $7,000,281, compared with $5,712,935 a year before, and net operating income was $1,764,993, compared with only $382,639 for July, 1932. Earnings in that month were equal to 19 cents a share for the common stock, but this was offset by the figure for the first six months of this year which showed a loss of $1,631,147 after fixed charges although this loss was substantially lower than the deficit for the first half of 1932. If improvement continues, charges may be fully earned this year, against a loss of $3,142,997 for 1932. In fact, it is estimated that for the full year 1933, charges will be covered 1.17 times over and a profit of 16 cents a share will be available for the common stock against a deficit of $3.77 a share for 1932. The current position is still unbalanced, with current assets of $18,559,537 and current liabilities of $22,301,256 according to the statement for June 30, 1933, but cash in the amount of $7,686,761 has enabled Erie to get along without a loan of $1,500,000 from the Reconstruction Finance

(Please turn to page 541)

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New York Stock Exchange

Rails

	1931 High	1931 Low	1932 High	1932 Low	1933 High	1933 Low	Last Sale 9/6/33	Div'd $ Per Share
A								
Atchison	202⅜	79¼	94	17⅞	80½	34⅝	65½	..
Atlantic Coast Line	120	25	44	9¾	59	16½	45	..
B								
Baltimore & Ohio	87⅞	14	21⅜	3¾	37⅞	8¼	32⅞	..
Bangor & Aroostook	66¾	18	35¾	9½	41¼	20	38⅛	2
Brooklyn-Manhattan Transit	69⅜	31⅛	50¼	11⅛	41¼	21¾	31⅜	..
C								
Canadian Pacific	45⅜	10¾	20⅝	7¼	20⅞	7⅛	16⅛	..
Chesapeake & Ohio	46½	23⅜	31½	9¾	49¼	24⅝	46⅛	2.80
C. M. & St. Paul & Pacific	8⅞	1½	4½	¾	11¾	1	8¼	..
Chicago & Northwestern	45½	5	14½	2	16	1¼	11⅝	..
Chicago, Rock Is. & Pacific	65½	7⅞	16⅜	1½	10⅛	2	6½	..
D								
Delaware & Hudson	157¼	64	92⅛	32	93¾	37⅝	73½	..
Delaware, Lack. & Western	102	17¾	45⅞	8½	46	17¼	35	..
E								
Erie R. R.	39¾	5	11¾	2	25¾	3¾	22¼	..
G								
Great Northern Pfd	69¾	15⅝	25	5½	33¾	4⅝	27	..
H								
Hudson & Manhattan	44½	26¼	30¾	8	19	6½	11¾	..
I								
Illinois Central	89	9⅛	24⅞	4¾	50¾	8⅛	40⅛	..
Interborough Rapid Transit	34	4⅝	14⅝	2¼	10¼	4⅛	6⅞	..
L								
Lehigh Valley	61	8	29¼	5	27¾	8⅝	21⅝	..
Louisville & Nashville	111	20¼	38¼	7½	67½	21¼	54	..
M								
Mo., Kansas & Texas	26¾	3⅞	13	1¼	17⅛	5¾	12	..
Missouri Pacific	42¾	6⅝	11	1½	10¼	1⅛	6⅛	..
N								
New York Central	132¼	24⅞	36⅝	8¾	58½	14	47⅛	..
N. Y., Chic. & St. Louis	88	2½	9¾	1½	27⅝	2⅛	24⅞	..
N. Y., N. H. & Hartford	94⅞	17	31⅝	6	34⅞	11⅛	26⅛	..
N. Y., Ontario & Western	13⅞	5¼	15¾	3⅝	15	7⅝	11⅝	..
Norfolk & Western	217	105⅝	135	57	177	111½	163	8
Northern Pacific	60⅞	14½	25⅜	5½	34⅞	9⅝	27	..
P								
Pennsylvania	64	16¼	23⅜	6½	42¼	13¾	35¼	.50
R								
Reading	97½	30	52¼	9½	62½	23½	50	1
S								
St. Louis-San Fran	62¾	3	6⅝	⅝	9	⅞	4⅞	..
Southern Pacific	109½	26½	37⅝	6½	38¾	11⅛	29⅜	..
Southern Railway	65⅞	6⅜	18½	2½	36	4⅛	30¾	..
U								
Union Pacific	205⅛	70⅛	94½	27⅝	132	61¼	121¾	6
W								
Western Maryland	19⅝	5	11⅜	1½	16	4	12¾	..
Western Pacific	14⅞	1¾	4¾	½	9½	1	5⅜	..

Industrials and Miscellaneous

	1931 High	1931 Low	1932 High	1932 Low	1933 High	1933 Low	Last Sale 9/6/33	Div'd $ Per Share
A								
Adams Express	23½	3⅛	9½	1⅝	13¾	3	10⅛	..
Air Reduction, Inc	109¾	47⅝	63½	30⅞	107¼	47½	100¼	3
Alaska Juneau	20⅛	7	16⅝	7¾	33	11⅛	29¾	.60
Alleghany Corp	12¾	1⅛	3⅝	⅜	8¼	⅞	5⅞	..
Allied Chemical & Dye	182¾	64	88¼	42½	143⅜	70¾	133½	6
Allis Chalmers Mfg.	42¾	10½	15⅜	4	26⅜	6	19¾	..
Amer. Brake Shoe & Fdy	38	13½	17⅞	6½	42½	9⅛	32¾	.60
American Can	129¾	58⅛	73⅞	29⅝	97½	49½	91	4
Amer. Car & Fdy	38¾	4½	17	3⅛	39¾	6⅛	29⅝	..
Amer. Com'l Alcohol	14½	5	27	11	89⅞	13	63¾	..
American Ice	31⅝	10½	21⅝	3⅜	17½	3¾	10¼	..
Amer. International Corp	26	5	12	2½	15⅛	4¼	11⅛	..
Amer. Mach. & Fdry	43¾	16	22¼	7½	22⅜	8¾	17½	.80
Amer. Power & Light	64⅞	11⅝	17¼	3	19⅞	4	12	..
Amer. Radiator & S. S.	21½	5	12¼	3½	19	4⅝	16	..
Amer. Rolling Mill	37⅜	7⅜	18½	3	31⅞	5¾	22½	..
Amer. Smelting & Refining	58½	7½	27¼	5⅛	42½	10¾	38	..
Amer. Steel Foundries	31¼	5	15⅛	3	27	4⅝	21⅜	..
Amer. Sugar Refining	60	34½	39¼	13	74	21½	63	2
Amer. Tel. & Tel	201¾	112⅛	137⅜	70¼	134¾	86½	126½	9
Amer. Tobacco Com	128¾	60½	86¾	40½	90¼	49	87¼	5
Amer. Tob. B	132¾	64	89¾	44	94¾	50¾	90	5
Amer. Water Works & Elec	80¾	23⅛	34½	11	43¼	10⅞	28⅛	1
Amer. Woolen	11⅞	2⅝	10	1⅝	17	3½	13½	..
do Pfd	40	15¼	39⅞	15½	61⅞	22⅝	50⅝	..
Anaconda Copper Mining	43¼	9¼	19⅜	3	22⅞	5	17	..
Armour Ill. A	4½	¾	2¾	⅝	7¾	1⅛	4⅞	..
do B	2⅞	½	2	⅜	5	¾	2⅞	..
Atlantic Refining	23⅝	8⅝	21⅞	8⅝	31⅞	12⅜	29⅜	1
Auburn Auto	295½	84½	151¾	28¾	84¼	31¼	59½	1
Aviation Corp. Del	6⅛	2	8⅞	1½	16⅜	5½	11¼	..
B								
Baldwin Loco. Works	27⅞	4⅝	12	2	17⅝	3½	13⅜	..
Barnsdall Corp. Cl. A	14½	4	7	3⅜	11	3	10½	..
Beatrice Creamery	81	37	43½	10½	27	7	16½	..

Price Range of Active Stocks

Industrials and Miscellaneous (*Continued*)

	1931 High	1931 Low	1932 High	1932 Low	1933 High	1933 Low	Last Sale 9/6/33	Div'd $ Per Share
B								
Beech-Nut Packing	62	37½	45¾	29¼	70½	45	65	3
Bendix Aviation	25½	12⅝	18¾	4½	21¼	6⅛	17½	..
Best & Co	46¼	19¾	24⅞	5¾	33⅛	9	30	..
Bethlehem Steel Corp	70⅛	17¼	29⅝	7¼	49¼	10⅛	38⅞	..
Bohn Aluminum	43	15½	22¼	4⅞	54½	9½	45	1
Borden Company	76½	35⅛	43⅛	20	37⅜	18	27¼	1.60
Borg Warner	30¾	9	14¼	3⅜	21⅝	5½	18⅞	..
Briggs Mfg.	22¾	7½	11¾	2⅞	14⅝	2⅝	10⅞	..
Burroughs Adding Mach	32¼	10	13¼	6¼	20⅞	6⅛	16½	.40
Byers & Co. (A. M.)	69¾	10⅞	24⅝	7	43¼	8½	33⅛	..
C								
California Packing	53	8	19	8	34¾	7¾	26⅞	..
Canada Dry Ginger Ale	45	10⅜	15	6	41½	7½	29⅞	1
Case, J. I.	131½	33¼	65¾	16¾	103½	30½	74½	..
Caterpillar Tractor	52½	10¼	15	4⅜	29¾	5½	22½	..
Cerro de Pasco Copper	30⅛	9⅞	15½	3½	42⅞	5⅞	35¾	..
Chesapeake Corp	54⅛	13⅞	20¾	4⅞	52½	14⅞	46	2
Chrysler Corp	25¾	11¾	21¾	5	47⅝	7¾	44⅞	.50
Coca-Cola Co	170	97½	120	68½	105	73½	90	6
Colgate-Palmolive-Peet	50½	24	31½	10¼	22⅜	7	17½	..
Columbian Carbon	111⅝	32	41⅞	13½	71½	23⅛	60¼	2
Colum. Gas & Elec	45⅝	11⅝	21	4¼	28⅛	9	18½	§.80
Commercial Credit	23¼	8	11	3⅞	17¾	4	16¼	..
Comm. Inv. Trust	34	15½	27⅞	10⅞	43½	18	37½	2
Commercial Solvents	21½	6⅝	13¾	3½	57¼	9	38	.60
Commonwealth & Southern	12	3	5⅛	1⅝	6⅛	1⅜	3⅛	..
Congoleum-Nairn	14¾	6⅞	12¼	6½	27⅝	7⅜	22	1
Consolidated Gas of N. Y.	109⅝	57¼	68¾	31½	64⅛	40	48	3.40
Consol. Oil	15⅞	4⅛	9	4	15¾	5	14½	..
Continental Baking Cl. A	30	4½	8	2⅞	18¼	3	12½	..
Continental Can, Inc	62¾	30¼	41	17⅝	68	35¼	65¼	2
Continental Insurance	51⅞	18⅛	25¼	6¾	36½	10½	28½	1.20
Continental Oil	12	5	9⅜	3⅝	19½	4⅞	18¾	..
Corn Products Refining	86⅝	36¼	55⅜	24¾	90⅝	45⅜	88	3
Crown Cork & Seal	38¼	13¾	23⅞	7⅞	65	14¼	44¾	..
Cudahy Packing	48⅞	29	35½	20	59½	20¾	46¼	2½
Curtiss Wright, Common	5⅞	1	3¼	⅞	4⅜	1½	3⅛	..
D								
Diamond Match	23	10⅝	19⅛	12	29½	17½	23	1
Dome Mines	13½	6⅝	12⅞	7½	38⅞	12	33⅜	*1.55
Dominion Stores	24	11	18½	11¼	26⅜	10½	21	1.20
Douglas Aircraft	21¼	7⅞	18⅝	5	18¼	10¼	15	.75
Drug, Inc	78¾	42¾	57	23	63½	29	43¾	3
Du Pont de Nemours	107	50¾	59¾	22	85¾	32⅛	80	2
E								
Eastman Kodak Co	185¾	77	87⅞	35¼	89¾	46	81½	3
Electric Auto Lite	74⅜	20	32¾	8½	27½	10	20¼	..
Elec. Power & Light	60¾	9	16	2¾	15⅜	3⅛	9¼	..
Elec. Storage Battery	66	23	33¼	12⅝	54	21	45⅝	2
Endicott-Johnson Corp	45⅜	23½	37¼	16	62⅞	26	52	3
F								
Firestone Tire & Rubber	21½	12⅞	18⅞	10½	31½	9⅛	25⅞	.40
First National Stores	63	41	54½	35	70¾	43	56	2½
Fox Film Cl. A	38⅜	2½	5⅞	1	18¼	12½	13	..
Freeport Texas Co	43¼	13¼	28⅝	10	44¼	16⅛	43	2
G								
General Amer. Transport	73⅛	28	35¾	9½	43¼	13¾	38	1
General Asphalt	47	9⅝	15½	4¾	27	4⅝	21½	..
General Baking	25⅝	9½	19⅝	10½	20⅞	11½	15⅜	1
General G. & E. A.	8½	1¼	2¾	⅜	2⅞	⅝	1⅜	..
General Electric	54¾	22⅞	26⅛	8½	30¼	10½	24	.40
General Foods	56	28¼	40½	19⅝	39¾	21	37¾	1.80
General Mills	50	29⅛	48½	28	71	35½	67	3
General Motors Corp	48	21⅜	24⅝	7⅝	35¼	10	32⅞	1
General Railway Signal	84⅛	21	28⅝	6⅛	49½	13¼	38	1
General Refractories	57⅜	12	15⅜	1¾	19¾	2½	14	..
Gillette Safety Razor	38¾	9¼	24¼	10⅜	20¼	9¾	14	1
Gold Dust Corp	42⅛	14½	20⅝	8¼	27⅜	12	22½	1.20
Goodrich Co. (B. F.)	20⅞	3⅜	12⅜	2¼	21½	3	16¼	..
Goodyear Tire & Rubber	52¾	13¾	29¾	5½	47½	9¼	37¼	..
Gulf States Steel	37½	4	21⅛	2½	38	6¾	26	..
H								
Houston Oil of Texas (New)	14	3	28¼	8¾	38	8¼	30⅞	..
Hudson Motor Car	26	7¾	11¾	2⅞	16⅜	3	14¼	..
Hupp Motor Car	13⅛	3¾	5⅜	1½	7¾	1⅝	5⅜	..
I								
Ingersoll-Rand	182	25⅜	44⅞	14¾	78	19⅛	61	1½
Inter. Business Machines	179¾	92	117	52½	153¼	75¾	143½	6
Inter. Cement	62½	16	18¾	3⅝	40	6⅛	32¾	..
Inter. Harvester	60½	22⅜	34⅛	10⅜	46	13⅝	39¼	.60
Inter. Nickel	20⅛	7	12½	3½	22	6¾	20¼	..
International Shoe	54	37	44⅜	20¼	56⅜	24⅜	49	2
Inter. Tel. & Tel.	38¾	7⅛	15¾	2⅝	21¾	5⅛	16½	..
J								
Johns-Manville	80¾	15⅝	33⅜	10	60⅜	12¼	53	..
K								
Kennecott Copper	31½	9⅝	19¼	4⅞	25⅞	7⅜	21⅛	..
Kresge (S. S.)	29⅝	15	19	6⅝	16⅞	5½	13⅞	.20
Kroger Grocery & Baking	35½	12½	18⅞	10	35⅝	14½	26½	1
L								
Lambert Co	87⅞	40⅛	56¾	25	41⅛	22⅛	31	4
Lehman Corp.	69⅜	35	51⅞	30½	79⅜	37½	70¼	2.40
Liggett & Myers Tob. B	91¾	40	67¼	34⅛	97⅝	49¼	95	*5
Liquid Carbonic	55⅛	13½	22	9	50	10¼	32½	..
Loew's, Inc.	63½	23⅞	37¾	13¼	34¾	8½	31¼	1
Loose-Wiles Biscuit	54⅞	29⅞	36⅜	16½	42½	19¼	39¼	2
Lorillard	21⅞	10	18⅜	9	25¼	10⅜	22½	1.20

Dividend and Interest

GENERAL MILLS, INC.

Preferred Stock Dividend

September 1, 1933.

Directors of General Mills, Inc., announced today declaration of the regular quarterly dividend of $1.50 per share upon preferred stock of the company, payable Oct. 2nd, 1933, to all preferred stockholders of record at the close of business Sept. 14th, 1933. Checks will be mailed. Transfer books will not be closed.

(Signed) KARL E. HUMPHREY, Treasurer.

ALLIED CHEMICAL & DYE CORPORATION
61 Broadway, New York

August 29, 1933.

Allied Chemical & Dye Corporation has declared quarterly dividend No. 51 of one and three-quarters per cent. (1¾%) on the Preferred Stock of the Company, payable October 2, 1933, to preferred stockholders of record at the close of business September 11, 1933.

W. C. KING, *Secretary.*

THE ELECTRIC STORAGE BATTERY CO.
Allegheny Avenue and 19th Street

Philadelphia, September 8, 1933.

The Directors have declared from the Accumulated Surplus of the Company a quarterly dividend of Fifty Cents per share on the Common Stock and the Preferred Stock, payable October 2, 1933, to stockholders of record of both of these classes of stock at the close of business on September 18, 1933. Checks will be mailed.

WALTER G. HENDERSON, Treasurer.

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous (*Continued*)

	1931		1932		1933		Last Sale 9/6/33	Div'd $ Per Share
	High	Low	High	Low	High	Low		
M								
Mack Truck, Inc.	43⅞	12	28¾	10	46⅜	13½	36½	1
Macy (R. H.)	106¼	50	60½	17	65¾	24¼	56½	2
Marine Midland	24¼	9¼	14⅜	6½	11½	5¼	9¼	.40
Mathieson Alkali	31½	12	20⅞	9	39¼	14	36½	1½
McKeesport Tin Plate	103½	38½	62¼	28	95¾	44⅛	90½	4
Mont. Ward & Co.	29¼	6⅝	16½	3½	28⅞	8⅝	24⅛	..
N								
Nash Motor Co.	40⅞	15	19¾	8	27	11⅛	22⅞	1
National Biscuit	83¾	36⅜	46⅞	20¼	60⅝	31½	55¼	2.80
National Cash Register A	39¾	7⅛	18¾	6	23⅝	5⅛	19⅝	..
National Dairy Prod	[illegible]¾	20	31⅜	14⅜	25¾	10½	18¼	1.20
National Power & Light	44¼	10¼	20⅜	6⅝	20½	6⅞	14⅛	1
National Steel	58⅛	18½	33⅞	13½	55⅛	15	44⅜	1
North Amer. Aviation	11	2⅜	6⅝	1¼	9	4	7⅝	..
North American Co.	90¼	26	43¼	13¾	36½	15¼	23⅝	§8%
O								
Ohio Oil	19½	5⅛	11	5	17⅝	4¾	15⅝	..
Otis Elevator	58½	16⅛	22¼	9	25¼	10⅛	18	.60
Otis Steel	16⅜	3½	9¼	1¼	9¼	½	5¾	..
Owens Ill. Glass	39¾	20	42¼	12	96¾	31½	78½	*2¼
P								
Pacific Gas & Electric	54⅞	29⅝	37	16⅞	31⅞	20	23½	2
Pacific Lighting	69½	35	47½	20¾	43⅜	25¼	29¼	3
Packard Motor Car	11⅞	3⅞	5¼	1½	6⅞	1¾	5	..
Paramount Publix	50¼	5½	11½	1½	2½	⅛	1⅞	..
Penney (J. C.)	44¾	26¾	34½	13	49	19¼	47½	1.20
Peoples Gas—Chic.	250	107	121	39	78	41⅜	53	4
Phelps Dodge Corp	25⅝	5⅞	11⅝	3⅞	18½	4½	14¾	..
Phillips Petroleum	16⅝	4	8⅛	2	17⅞	4¾	17	..
Procter & Gamble	71¼	36⅜	42¾	19⅞	47½	19⅝	41¾	1½
Public Service of N. J.	96½	49⅛	60	28	57⅛	33¼	40⅛	2.80
Pullman, Inc.	58½	15¼	28	10½	58⅛	18	50½	3
Pure Oil	11⅞	3¼	6½	2⅞	11⅞	2½	11½	..
Purity Bakeries	55¼	10¾	15⅞	4⅜	25⅜	5⅞	19¼	1
R								
Radio Corp. of America	27½	5⅛	13½	2½	12¼	3	9⅛	..
Radio-Keith-Orpheum	4	2¾	7¾	1½	5¾	1	3¼	..
Remington-Rand	19¾	1⅞	7½	1	11¼	2½	9	..
Republic Steel	25⅜	4⅛	13⅞	1⅞	23	4	17¼	..
Reynolds (R. J.) Tob. Cl. B	54½	32½	40¼	26½	54⅛	26½	52⅜	3
Royal Dutch	42⅝	13	23¾	12⅛	36⅜	17⅝	34¾	1.07½
S								
Safeway Stores	69½	38⅝	59¼	30⅛	62⅜	28	51½	3
Sears, Roebuck & Co.	63¼	30¼	37⅜	9⅞	47	12½	40⅞	..
Seaboard Oil—Del.	20¾	5½	20⅜	6⅝	33⅞	15	30¼	.60
Servel, Inc.	11¾	3½	5⅜	1½	7½	1½	6¾	..
Shattuck (F. G.)	29½	8¼	12¾	5	13¼	5¾	9⅛	.24
Shell Union Oil	10¼	2½	8¾	2½	11⅝	4	9⅜	..
Simmons Co.	23¾	6⅞	13⅜	2¾	31	4⅜	25½	..
Socony-Vacuum Corp.	21	8⅜	12¼	5¼	15½	6	13⅜	..
So. Cal. Edison	54½	28⅜	32¾	15¾	28	17½	19¾	2
Standard Brands	20½	10½	17⅞	8⅜	37⅝	13¾	27⅞	1
Standard Gas & Elec. Co.	88⅜	25⅛	34¼	7⅝	22½	5⅛	14¼	..
Standard Oil of Calif	51¾	23⅛	31⅞	15⅛	41¼	19½	40	1
Standard Oil of N. J.	52½	26	37⅜	19⅞	41⅜	22¾	40⅞	1
Stewart-Warner	21⅞	4¾	8½	1⅞	11½	2½	8	..
Stone & Webster	54½	9⅞	17⅜	4⅝	19¼	5¾	12¾	..
Studebaker Corp	26	9	13¾	2½	8⅜	1½	6½	..
T								
Texas Corp	36¼	9⅞	18¼	9¼	28⅝	10¾	27½	1
Texas Gulf Sulphur	55¾	19½	26¾	12	34⅞	15¼	30⅞	1
Texas Pac. Land Tr	17⅝	4¼	8½	2½	11⅛	3½	9½	..
Tide Water Assoc. Oil	9	2⅛	5⅝	2	10¾	3⅛	9⅞	..
Timken Roller Bearing	59	16½	23	7¾	35½	13¾	29¾	.60
Transamerica Corp	18	2	7⅛	2⅛	9⅜	2⅝	7	..
Tri-Continental Corp	11¾	2	5½	1½	8¾	2¾	6½	..
U								
Underwood-Elliott-Fisher	75¾	13⅜	24⅜	7⅜	39½	9¼	30	.50
Union Carbide & Carbon	72	27⅛	36⅜	15½	51⅞	19¾	46¾	1
Union Oil of Cal.	26⅝	11	15⅜	8	23⅜	8½	21	1
United Aircraft & Trans.	38⅞	9⅞	34⅜	6½	46⅞	16½	37¼	..
United Carbon	28¾	6⅛	18	6⅝	30⅝	10¼	25½	1
United Corp.	31¼	7½	14	3½	14½	4⅞	8	..
United Corp. Pfd	52⅛	26⅛	39⅜	20	40⅞	24⅞	31¼	3
United Fruit	67¾	17½	32⅜	10¼	68	23¼	62¾	2
United Gas Imp.	37½	15⅜	22	9¼	25	14	19¼	1.20
U. S. Industrial Alcohol	77⅜	20⅜	36¼	13¼	94	13½	70¼	..
U. S. Pipe & Fdy	37⅛	10	18⅛	7¼	22⅛	6⅛	17	.50
U. S. Realty	36¾	5½	11¾	2	14½	2½	10	..
U. S. Rubber	20⅜	3½	10¼	1¼	25	2⅞	18	..
U. S. Smelting, Ref. & Mining	25¾	12⅜	22¾	10	94⅞	13½	85¾	1
U. S. Steel Corp.	152⅜	36	52⅝	21¼	67½	23⅜	52⅞	..
U. S. Steel Pfd.	150	94	113	51½	105½	53	94⅛	1½
Util. Power & Lt. A	31	7⅞	10⅜	1½	8⅞	1⅞	4½	..
V								
Vanadium Corp.	76¾	11	23¾	5¼	36¼	7⅝	26	..
W								
Warner Brothers Pictures	20⅜	2⅛	4½	½	8¾	1	7½	..
Western Union Tel.	150¾	38½	50	12⅜	77¼	17¼	65½	..
Westinghouse Air Brake	36⅛	11	18⅛	9¼	35⅝	11¾	30¼	1
Westinghouse Elec. & Mfg.	107¾	22½	43½	15⅝	58¾	19⅜	44⅝	..
Woolworth Co. (F. W.)	72¾	35	45⅝	22	50⅞	25⅛	38¾	2.40
Worthington Pump & Mach	106⅞	15¼	24	5	39⅞	8	27½	..
Wrigley (W., Jr.)	80⅜	46	57	25¼	53	34½	52¼	3

§ Payable in stock. * Including extras.

Answers to Inquiries

(Continued from page 536)

Corporation which had been approved. With a few exceptions, all classes of traffic have shown a sharp increase in recent months by comparison with a year ago, particularly coal from which a large part of Erie's earnings arise. While there may be a temporary tapering off in those loadings, it appears almost certain that traffic for the balance of this year will be above the 1932 levels. Consequently, the outlook is favorable, but we would not go so far as to predict dividends for the common within the visible future. Nevertheless, the shares have speculative potentialities pointing to the advisability of maintaining your position as opposed to a switch at this time.

COLGATE-PALMOLIVE-PEET CORP.

Several months ago I bought 200 shares of Colgate-Palmolive-Peet on the strength of an analysis in your Magazine. I now have a nice profit, but I will appreciate any information you may give me on recent developments bearing on this stock's outlook. Would you sell now or continue to hold?—V. A. L., Bridgeport, Conn.

As a result of increased sales, reflecting improved demand for the company's products during the second quarter of the current year, Colgate-Palmolive-Peet Corp. was able to report profits for that period of sufficient proportions to more than offset the loss sustained in the initial three months of the year. For the 6 months ended June 30, last, net income amounted to $765,121, thereby covering dividends on the preferred stock by a slight margin, as compared with net of $1,030,711, or 13 cents a common share for the first 6 months of 1932. Cash and marketable securities as of June 30, last, were some $2,000,000 in excess of that of a year earlier and amounted to $14,522,980. Total current assets amounted to $37,847,524, against total current liabilities of $5,068,734, leaving net working capital of $32,778,790. Recent reports indicate that sales improvement has continued during the third quarter of the year, although the addition of several hundred employees and the increases of certain wages in compliance with the blanket code of the N R A may tend to restrict profits from the increased volume of business. Nevertheless, substantial savings have been made in advertising costs, without endangering the efficiency of its advertising policies, which factor, coupled with savings accruing to the company

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through drastic reductions of salaries in the upper brackets, should enable Colgate-Palmolive-Peet to make a more favorable showing during the final half of the year. In connection with officers' salaries it is interesting to note that the chairman of the board and the president have reduced their respective compensations to a nominal rate of $1 a year, which rate is to prevail until dividends are resumed on the common stock. Certainly, this action on the part of the management reflects its confidence in the future prospects of the company. When consideration is given to the strong trade position of Colgate-Palmolive-Peet, and its excellent financial condition, the common stock merits favorable consideration as a long-term speculation, and we counsel maintenance of your present position.

LOEW'S, INC.

Please give me your opinion of Loew's, Inc. I have a slight profit on 300 shares of this stock averaging 29¼, and I would like to know if you believe it offers price and dividend possibilities comparable with the general run of today's investment possibilities. Any information you may give me on the company's outlook will be appreciated.—H. M. S., Brooklyn, N. Y.

Loew's, Inc., is one of the few motion picture enterprises which has been able to weather the current depression successfully. The principal reason for this is that its expansion was carried on at a more moderate rate than that of many of its competitors. Nevertheless, Loew's did not entirely escape the effects of the acute unemployment situation and the declining public purchasing power, as shown by the fact that net income declined from $14,600,332 for the fiscal year ended August 31, 1930, to $7,961,341 in the fiscal year ended August 31, 1932. The report for the 40 weeks ended June 8, 1933, revealed a net profit of $2,583,527, equivalent after allowing for subsidiary preferred dividends to approximately $1.12 a share on the common stock, comparing with $7,374,805, or $4.37 a share in the corresponding period a year earlier. A strong financial position was shown in the latest available balance sheet, dated August 31, 1932, when total current assets exceeded total current liabilities by $29,562,027. During recent years the theater-going public has become increasingly critical of film productions. Loew's management, recognizing this trend, confines its releases to comparatively few pictures of the quality type. Wide distribution of films is accomplished through exchange agreements with other producers and owners of theaters, and since rentals are based primarily upon box office receipts, any improvement in the motion picture business as a whole, should swell earnings from this source. In the interim, the strong financial position and capable management of the company appear to assure it of retaining its leading position in the industry. Moreover, further expansion of public purchasing power, concurrent with industrial recovery, should enable Loew's to re-attain at least part of its former high earning power. Thus, we feel that the long-term market possibilities of the common stock are sufficiently promising to warrant its retention.

LEHMAN CORP.

It seems to me that even at today's levels, Lehman stock offers attractive possibilities. But, rather than act on my own opinion, I would first like to have your advice, together with any information you may have about this company that might interest me.—L. D., New York, N. Y.

The report of Lehman Corp. for the six months ended June 30, 1933, reflects the sharp rise of the stock market since the last year-end. Thus, the net asset value per share increased to $84.01 from $58.27 as of December 31, 1932. The improvement was even more pronounced when compared with the liquidating value per share as of June 30, 1932, which amounted to only $47.34. In the latest report the corporation was able to show an unrealized appreciation on its investments for the first time since its inception in 1929. Total investments which were carried at cost of $50,286,640 had a market or estimated fair value on June 30, last, of $53,777,190. A year earlier, the market value of investments carried at a cost of $58,029,281 had a market value of $28,221,221. During the initial half of the current year, Lehman Corp. acquired substantial blocks of common stocks, which was made possible by its highly liquid position. Thus, its holdings of U. S. Government bonds declined from $6,994,696 as of December 31, 1932, to $2,257,139 on June 30, 1933. However, sufficient liquid funds have been maintained to allow further purchases of securities when such a policy is deemed warranted by the management. When consideration is given to the fact that Lehman Corp. commenced operations prior to the market crash in 1929, the results achieved to date have been outstanding when compared with most management investment trusts. Security holdings constitute a well diversified list of stocks and bonds, the market value of which should closely coincide with the general trend of security markets.

We maintain a constructive attitude toward the longer term market outlook of the trust and regard its shares as suitable for purchase around current levels.

BEECH-NUT PACKING CO.

What do you think of Beech-Nut Packing as one of the outstanding investment opportunities available today? I have been advised to buy it on this basis. Do you consider its dividend safe?—R. C. N., Baltimore, Md.

Beech-Nut Packing Co. reported for the June quarter of the current year net income, before taxes, of $457,109, as compared with $403,051 in the preceding quarter and $570,467 in the second quarter of 1932. Results for the initial half of 1932 amounted to $860,160 before Federal taxes, against $1,109,291 for the first 6 months of last year. Reduced to a per share basis on the common stock, after allowing for estimated Federal taxes and dividends on 45 shares of class "A" preferred stock, the foregoing half-year results amounted to $1.67 and $2.15, a share, respectively. The characteristically strong financial condition of the company was in evidence as of June 30, last, cash and United States Government bonds alone amounting to more than $7,400,000 against total current liabilities of only $760,000. Net working capital as of June 30, last, was in excess of $14,500,000 against $14,200,000 a year earlier. Approximately 50% of the company's business is derived from the sale of high quality package food products, including peanut butter, jams, spaghetti, macaroni, sauces, candies, coffee, biscuits, bacon and beef, distributed throughout the United States and in many foreign countries under the nationally known trade-name of "Beech-Nut." Undoubtedly, the sale of chewing gum has been an important stabilizing factor in earnings. Although Beech-Nut has suffered from the declining purchasing power of the public since 1929, conversely it should benefit substantially from a reversal of this trend as general business improvement gets under way. Thus the common stock merits investment consideration and is suitable for accumulation around current levels.

COLLINS & AIKMAN CORP.

In April you advised me to continue holding Collins & Aikman common, and naturally I am pleased with the subsequent action of this stock. I am now almost even on the 100 shares I acquired in 1931. Would you recommend me to switch to some other issue now, or do you think this firm's outlook warrants further retention of my stock?—R. J., New York, N. Y.

In reflection of the upturn of automobile production in the early part of this year, Collins & Aikman achieved a small profit of $3,315 in the quarter ended May 27, 1933, against a deficit of $109,666 in the like period a year before. Results for the second quarter

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If you are to be a successful investor today, you must know when to act, what to do—and why

By A. W. WETSEL

PROGRESS is the result of planned action. Inactivity, often the result of indecision, is the cause of retrogression. Accordingly, it now is widely recognized that financial progress, including the protection as well as the growth of capital, is dependent upon sound action. For, if you are to make financial progress through other than sheer luck, you must know when and how to act. With such knowledge you can capitalize opportunities as they are presented.

Importance of Method Used

Today, as in any period, it is the method you use that counts. Many regretfully look back to last spring when security prices were about 50 per cent lower. Having no sound method for *knowing*, they *guessed* wrong and failed to act. Yet at that very time, when they *thought* securities were too high, it *was known* that securities should be bought. And Wetsel clients were so advised.

Now that the rise did occur, some can only think of the opportunities they missed. They look backward instead of forward. With security prices never stationary, with conditions ever shifting, with the irresistible forces that govern security markets ever changing, new opportunities constantly become available. Especially is this true during a period of rising prices.

What the Investor Should Know

By that we do not mean that an investor should rush in and "buy something" blindly because of a tip, a hunch, nor on the belief that such action is sound. How much better it is to *know* WHEN to buy, WHICH stocks and at WHAT prices! And having bought, to know WHEN to *sell* (and accept profits). Such knowledge not only is desirable but it is ascertainable.

Illustrations of How Statistics Have Failed

Many, imbued by the half-truths that were considered reliable guides a few years ago, continue to stumble along blindly, guessing as best they know how. As, for instance, at one time statistics were looked upon as reliable forecasting factors. Anyone who has followed recent events knows that *statistically* a company does not change sufficiently in a month's time to justify its stock doubling in price. Yet that is exactly what happened recently in more than a few cases. What then was the cause?

During the long bear market the market price of a well-known stock declined to less than five per cent of its 1929 value. When the market started upward that stock quickly trebled in value. One of the company's officers forcibly stated, "I don't know any reason why it should go up. The figures certainly don't justify it." Shortly afterward, however, that stock sold at over five times its low of a short time ago. Recently this executive said, "We have certainly had a big pickup in business. It looks like those prices I ridiculed were justified."

From the Wetsel Record . . .

By ignoring all other methods or "systems," the Wetsel method of interpreting the Technical Factors that control market trends and security prices, successfully foretold:

—the October, 1929, break in September—and again on October 7 of that year.

—the break of May, 1930, when others proclaimed the market was definitely on its way to "normalcy."

—the break of April, 1931, when business indices and statistics indicated broad improvement. Mr. Wetsel wired his clients to sell both investment and trading holdings.

—five major upswings that occurred during this period.

—rising market of last summer (in July), at a time when statistically the country was at the lowest point. And at which time most investors overlooked a major opportunity for fortifying their positions and making profits.

—the market rise following the bank moratorium. After advising clients to *stay out* of the market during February, specific *buying* recommendations were issued on February 27 and on March 1. Profits were taken after sensational rise following the reopening of the Exchange.

—the beginning of the gold embargo market. Purchases again being made on April 14-17—two to five days prior to the sensational rise following the embargo.

—the long persistent Spring rise, following the gold embargo soon again afforded large profit opportunities as buying instructions had been issued two to five days *prior* to the beginning of the rise.

These instances are given because the dates and what they signify are so well remembered. But, they also emphasize the necessity for forecasting short swings, which may aggregrate even more profits.

Forces That Control Market Prices

This experience is related because it vividly points out the necessity for evaluating all the forces that govern security prices and market trends.

Through experience and constant analysis the action or price movements to be caused by these irresistible forces can be pre-determined with a better than average degree of accuracy. Through interpretation of this knowledge you can know when and what to buy and sell.

Supplying such information is part of the function of this organization of investment counsellors. From the management of large investment estates to the supplying of pertinent information for the small investor, there is a Wetsel service suited to every need.

Protection Through Action

The cost of this service is relatively small. It tells you when to invest—often at a time when you might otherwise overlook the opportunity. It tells you when to sell—enabling you to realize the profits earned through appreciation and often preventing serious losses due to reactions. Wetsel Service, by **telling you what to do and when, therefore, should prove profitable to you because of the added protection and appreciation of opportunities it affords. It makes financial progress more likely because it stops guesswork and tells you what *action* to take.**

Send for This Free Booklet—See for Yourself

The Wetsel philosophy of sound investing is to gain protection and appreciation of capital funds through action. This method is fully described in our booklet, "How to Protect Your Capital and Accelerate Its Growth." This booklet, we believe, has been more widely read than any recent piece of financial literature and may be had upon request. Fearlessly it exposes the fallacies and half-truths that proved to be such misleading and costly guides. Clearly, it shows a way to substitute sound methods for those which have proved to be inadequate. Act today — send for this booklet now — see for yourself if this method *might* help you.

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Name ....

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of the fiscal year are not yet available, but as motor car output was at a high rate during most of that period, even better profits may be anticipated. This company holds a dominant position in its field, supplying more than three-fourths of the requirements of the automobile industry in pile fabrics for upholstery, this constituting about 70% of Collins & Aikman's gross sales. The remainder of its business comes from the furniture, floor covering and garment trades. Efforts toward diversification of products have resulted in the development of a line of so-called seamless carpeting for large floor areas and various higher grade fabrics for the upholstery, cloak and suit industries, but sales in these lines are subject to more severe competition and so far have contributed only a minor part of the total business. The company has pursued its policy of reducing its outstanding capital by retiring both preferred and common stocks, the report for May 27, 1933, showing 62,771 shares of preferred and 562,800 shares of common, compared with 65,500 shares and 565,000 shares, respectively, a year before. Thus, the equity of the remaining stock is enhanced, and there is no funded debt. Financial condition is strong, the latest statement, for February 25, 1933, showing current assets of $6,117,314 and current liabilities of $472,203. Hence, the continued retention of the stock is justified with a view toward longer term developments.

MAY DEPARTMENT STORES CO.

I am now about even on May Department Stores stock. As long as I have held this stock through the past two years, I would like to hold it for a profit. But, in view of my having had approximately $3,500 tied up because I dislike to take a loss, I am ready to be guided by unbiased advice; and I will hold or sell on your decision.—J. P., Detroit, Mich.

Operating a group of department stores chiefly in the highly industrialized section of the Middle West, May Department Stores has experienced a sharp decline in its business during the past three years. Thus, net income declined from $6,174,925, or $4.75 a share, for the year ended January 31, 1930, to $948,433, or 77 cents a share, in the last fiscal year. Despite this earnings decline, the company has maintained a sound financial condition. The consolidated balance sheet as of January 31, 1933, revealed total current assets of $28,212,188, of which over $9,800,000 was represented by cash and U. S. Government bonds, while total current liabilities stood at $2,828,142. This strong treasury position has enabled the management to constantly strengthen the competitive position of its various units, notably by the improvement of delivery systems and the erection of garages for the convenience of customers. It was recently reported that the company acquired the stock and fixtures of Robertson Co., which operates a department store in Hollywood. In view of the decided improvement of commodity prices during recent months, inventory losses should be minimized if not entirely avoided over the near term, at least. Moreover, the fact that many of its principal stores are located in industrial centers of the country, should make its earnings particularly sensitive to general industrial revival. Inasmuch as dividends have been maintained on the common stock through what now appears to have been the worst of the earnings decline, their continuance is deemed likely. In view of the promising earnings outlook for this company we feel that the liquidation of your present holdings at prevailing quotations is unwarranted.

BRUNSWICK-BALKE-COLLENDER CO.

I bought Brunswick-Balke-Collender two years ago at 23¾. I was inclined to sell near the high for this year except that I believe it has possibilities as a "wet" stock. I will now appreciate your views on this company, and your advice as to whether I should continue to hold my stock if it again approaches its 1933 high.—L. P., Kansas City, Mo.

By virtue of the sharply reduced demand for its principal products, bowling alleys, billiard tables and accessories, operations of the Brunswick-Balke-Collender Co., have been unprofitable since 1928. Contributing to the difficulties of the company during the earlier years of the foregoing period, was the unprofitable musical division which was sold in its entirety to Warner Bros. Pictures, Inc., in 1930. As far as the demand for bowling alleys and billiard tables is concerned, little improvement is anticipated for some time ahead. On the other hand, a field in which the company is a recognized leader, and from which no business has been obtained since 1919 because of the prohibition laws of this country, has again been reopened and promises to be an important contributor to future earnings. Specifically, the manufacture and sale of bar fixtures is referred to. With the legalization of beer, the demand for these particular products has taxed the company to capacity. Whether or not the increased activity in this division will be sustained for an extended period is purely conjectural since the demand for such equipment will depend largely upon state regulations and restrictions as well as public buying habits. Never-

theless, that Brunswick-Balke-Collender Co. will derive some benefit from whatever business in this field materializes, cannot be gainsaid. This factor, coupled with the ability of the company to maintain a strong financial condition, despite the adversities of the past five years, augurs well for its future. While the common stock at this writing can be regarded no better than an outright speculation the shares are not without interesting possibilities and retention of your holdings is advocated.

ALLIS-CHALMERS MANUFACTURING CO.

Because I note that Allis-Chalmers' loss for the first six months of this year is only slightly less than for the same period in 1932, I am wondering if you are advising your subscribers to switch, or do you believe the potentialities of this company warrant my continuing to hold 250 shares averaging around 43? The more detailed your reply the more helpful it will be.—J. B. R., Chicago, Ill.

The semi-annual report of Allis-Chalmers Manufacturing Co. covering the first six months of 1933 revealed a net loss of $1,658,907, against $1,805,892 in the initial half of 1932. Unfilled orders as of June 30, last, amounted to $4,830,996, as compared with $4,470,599 at the close of the first quarter and $7,136,087 on June 30, 1932. Despite the decline of some $2,000,000 in net working capital during the 12 months ended June 30, last, the financial condition as of that date was entirely satisfactory. Admittedly, the improvement in operating results registered by Allis-Chalmers during the first half of the current year was not as pronounced as many other companies; but a careful study of the workings of the company is reassuring in judging its future prospects. As now constituted Allis-Chalmers ranks as a leader in the agricultural implement field and in the manufacture of tractors for road building and industrial purposes, as well as being the third largest unit in the production of electrical equipment. Approximately one-half of the company's gross business is derived from the tractor and road machinery division, which department should report favorable progress during the ensuing months as the extensive public works program gets under way. Furthermore, the farm equipment division should respond to improved conditions in the agricultural field as time progresses. While sales of electrical equipment may remain somewhat restricted during the early future the outstanding position of the company in that field assures it of participating in the ultimate step-up in activity in that field. In view of the favorable outlook for Allis-Chalmers

Manufacturing Co. and since liquidation of your holdings at prevailing prices would necessitate the acceptance of a rather substantial loss, we are inclined to regard the sale of your holdings at the present time as unwarranted and counsel against such action.

Uncle Sam Safeguards the Investor

(Continued from page 515)

resulting to investors from the deception which such people practice. It is the purpose of the Act to arm investors against precisely that kind of danger.

Is it not the wiser legal advice that refuses to accept this statute as a gauge of battle between the corporation and its investors? The justifiable protection to investors which this law provides is in itself a protection to the corporation that can afford to deal frankly and openly with its prospective stockholders and bondholders. Compliance with the letter and the spirit of the Act and the fullest co-operation in the purposes which it is so properly designed to achieve will benefit the corporation which, soundly organized and operated, is able and willing to tell its investors the truth about itself. It gives to such corporations an advantage which they deserve over corporations who cannot meet the requirements of common honesty. In the first place it will aid them in their financing problems by rebuilding that public confidence without which no return of genuine prosperity is conceivable. In the second place it will enable the investing public to discriminate intelligently between those who merit its support, and its money, and those who do not.

We hear it said also that the prospectus required by the Act is unintelligible to the investor and is too long to be of interest to him. Let me say that there is nothing in the Act that requires the prospectus to be unintelligible. As for the length of the prospectus, it is well to remember that the economic and financial story of most corporate security issues is also long. Brief, brilliant prospectuses, such as appeared so abundantly in the recent past, may have consumed less of an investor's time, but it is likely also that they consumed more of his money for purposes he was not aware of.

With regard to the prospectus also I say that the honest business stands to gain immeasurably by what this law requires. The corporation with a good story to tell owes it to itself and to its investors to describe its security offerings in full and to spare no reasonable effort in educating the public to read and to understand its prospectus. Recent history has shown only too well that this business of persuading investors where to place the savings of a lifetime is not a matter to be taken lightly. I may add that we have yet to receive a complaint from any investor concerning the undue length of a prospectus.

The accounting profession has an equally responsible position in carrying out the purposes of this Act. It is its duty under the law to present the financial picture clearly and accurately without recourse to any of the innumerable devices whereby unpalatable facts are given a sugar coating or are allowed to appear as something other than what they are. The accountant is made liable to investors under this statute for untrue statements, omissions of material facts or of facts required to avoid a misleading result. But he has in fact far more than this civil liability to the particular investor; he has a professional responsibility to the investing public to represent things as they are rather than as someone might wish them to be. The Act requires that the accountant be independent, that he be not interested in the company whose books he audits. The accountant is not his client's advocate.

There is a wonderful opportunity for the accounting profession to render a great public service under this law. From here and there come the uneasy criticisms of those who claim that it is unjust to require a company to submit an independent audit of its accounts before offering its securities for sale. I believe that the service which an independent accountant can render to the investor is a service which the investing public is fully entitled to receive. A company that makes no public offering of its securities is not required to meet the provisions of this Act; but any company that proposes to invite the public to participate in its undertakings and to share its risks is bound to call for an independent professional examination of its accounts as a basis of letting the public know what it is being asked to buy. That duty is clear. I do not see how it could be otherwise, either before the passage of the Securities Act, or after.

Our hope is that the Securities Act shall become the means of bringing together into a closer bond of mutual responsibility the business concerns of this country and their investors. In place of the ancient tradition that the world of finance must establish its own standards of what investors have a right to know about the business they own, the Act sets up those standards of candid and straightforward dealing which the long, hard experience of financial disaster has shown to be the only sound ones. The events of recent years have proved only too clearly the need for an intelligent curiosity upon

the part of investors concerning the world of business and finance into which they pour their savings and from which they hope to derive their livelihood. I can assure you that anyone who might be able to read the letters now coming into the Commission from investors, from the small investors who have lost all that was saved against old age, would give unstinted co-operation in support of the purposes of this Act, and would tolerate nothing less on the part of others.

A New Day Dawns for Oil

(*Continued from page 520*)

tion averages about 400,000 barrels daily but could be easily doubled merely by opening up wells that now stand capped. The cost of production, on the average, is below that in the United States, hence it would prove economical to supply markets where lower prices must be accepted from such low-cost properties. Some of the typical low-cost producers in South America are International Petroleum Co., Ltd., Creole Petroleum Corp. and Pan American Foreign Corp., subsidiaries of Standard Oil Co. of New Jersey; and Colon Oil Corp., Venezuelan Oil Concessions and Caribbean Petroleum Co., controlled by the Royal Dutch-Shell combine; and the Venezuela Gulf Oil Corp., subsidiary of the Gulf Oil Corp.

So far as the activities of European countries with relation to petroleum is concerned, these are not especially reassuring to American exporters from the long term viewpoint. The trend has been toward the raising of import duties on refined products with a view to forcing importing companies to refine their oil in the countries into which the oil is imported. This has been notable in the French policy and has been responsible for the investment of considerable American capital. In other countries, governments have attempted to create monopolies controlling all branches of the oil industry. This occurred in Spain several years ago. In France a bill is now in the making which will be shortly presented in parliament providing for creating a monopoly in the oil industry. It is not expected that this will be passed in its present drastic form, which would entail purchase of all existing oil facilities in France by the government, and naturally involving a tremendous financial and technical undertaking. However, the trend toward the oil monopoly idea has been gaining in France, and some regulatory measure is apt to be passed later this year, ac-

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of Recent Date

Name and Dividend	1933 Price Range High	Low	Recent Price
Alum. Co. of Amer.	96	37¼	70
Alum. Co. of Amer. Pfd. (1½)	77½	37	72
Amer. Cit. P. & L. B. (.15)	6⅝	3	3⅛
Amer. Cyanamid B	15⅜	3¼	13¼
Amer. & For. Pr. war	13⅛	2⅝	8¾
Amer. Gas & Elec. (1)	50	17⅜	26
Amer. Lt. & Tr. (2)	26¾	12	17
Amer. Superpower	9¼	2½	4¼
Assoc. Gas Elec. "A"	2⅞	1	1⅛
Cities Service	6¼	2	2⅞
Cities Service Pfd	30	10½	15⅛
Colum. G. & E. cv. Pfd. (5)	138	68	106
Commonwealth Edison (4)	82⅝	50	53⅛
Consol. Gas Balt. (3.60)	70½	43¼	65½
Cord Corp. (.20)	15½	4⅜	11½
Elec. Bond & Share (6% stk.)	41⅝	10	22½
Elec. Bond & Share Pfd. (6)	66	25	47½
Elec. Pr. Assoc. (.40)	12½	2½	6⅝
Ford Motor, Ltd	6¾	2⅝	5¼
General Aviation	10¾	2⅞	8¼
Great A. & P. Tea N.-V. (7)	181½	128	140
Gulf Oil of Pa.	62	24	57½
Hudson Bay M. & S.	12½	2⅝	10
Humble Oil (2)	88	40	85
Inter. Petrol. (1.12)	19⅞	8⅞	18⅝
National Aviation	13⅜	4⅞	12⅞
Nat. Bellas Hess	4¾	¾	3
Nat. P. & L. Pfd. (6)	72½	34	58
Niagara Hudson Pwr.	16⅜	8½	8⅛
Penroad Corp.	6⅜	1⅛	3⅝
St. Regis Paper	8¼	1½	4¾
Salt Creek Pfd. (.80)	9¼	3½	6⅝
So. Cal. Edison Pfd. (1⅜)	36	32½	17⅝
Standard Oil of Ind. (1)	33⅞	17	32⅞
Stutz Motor Car	20	7	8⅜
Swift & Co.	24¾	7	17¼
Swift Int'l (2)	32¾	12¼	26¼
United Founders	3	¾	1½
United Gas Corp	6¼	1⅛	4
United Lt. & Pow. A	9¾	2	4¼

cording to students of the situation. France has in mind her interest of approximately 23 per cent in the development of the Iraq oil field. This oil will not reach world markets until 1935, however.

In summary, domestic developments far outweigh in importance a little changed world situation. In the United States, by far the largest market, effective production control is in sight. It is likely to be followed by a higher and more stable price structure, whether established by the industry itself or by Federal edict. In either event the prospect for oil securities is substantially brightened.

Mortgage Debts and Building Prospects

(*Continued from page* 518)

equity, but few buyers are able or willing to finance so permanent a thing as a home on an all-cash basis.

Active and large scale construction by industrial companies, railroads and public utilities, after three years of depression and depletion of reserves, is necessarily a matter of obtaining new long-term capital. It was formerly had by issuance of securities, especially bonds. This market, to say the least, is not flourishing. It contends on the one hand with a substantial degree of investor timidity and caution and, upon the other, with rigorous restrictions of the Federal Securities Act, since the adoption of which new issues have been at a minimum.

As to the effects of potential inflation upon construction and the long-term capital and credit markets there is abundant room for conjecture and variation of opinion. Generally speaking, fiduciary institutions are not concerned with the purchasing power of the dollar. Causes other than fear of inflation account for their inability or unwillingness to open up on new mortgage demands.

Although the lending power of private investors is admittedly impaired, yet together with a modest trickle of loans from a few building and loan associations, it accounts importantly for the financing of the relatively favorable increase in residential building in recent months.

Contract awards for residential construction in thirty-seven states east of the Rockies have advanced from a daily average of less than $600,000 to approximately $1,000,000. They now constitute approximately 25 per cent of the total volume of construction, against 21 per cent in 1932. In 1928 the more normal figure was 42 per cent.

Opinions differ as to the need for construction; as to whether we still have an over-built condition. It may be cited that the pace of population growth has slackened. That is true, but some millions of adult men and women have become potential home-seekers in the last three years. Whatever the means, the desire for home-ownership has increased, rather than diminished. Especially notable is the swelling demand for small, highly modernized, attractive houses at moderate price.

There is an abundant social need of and desire for public works of various kinds. Here the difficulty is the already heavy burden of taxation, the shaky financial position of various local governmental units and the distaste of the citizen for additional taxes. Few expect that we will soon enter upon a broad era of fresh capital expansion. Nevertheless, especially in the interest of modernization and efficiency, industry and business generally unquestionably can account for a considerable backlog of accumualted and deferred demand for construction of one kind or another. Deferred demand here and for residences would without doubt support a material extension of recent construction gains—without providing the foundations for an extended construction boom—if only the necessary financing were forthcoming.

When all unfavorable factors are taken into account, the improvement shown thus far this year is more than satisfactory. Total contract awards in thirty-seven states east of the Rockies for the first half of August were $56,243,600, a gain of 30 per cent over the first half of July, but 12 per cent under the corresponding period in 1932. July awards were $82,693,100, against $102,341,900 in June and $128,768,700 in July, 1932.

If construction is again to become a pillar of prosperity, there are only three courses open. One is the slow thawing out of frozen assets, their adjustment downward through agreement or foreclosure and the gradual cultivation of a well-understood and conservative mortgage money market capable of attracting new capital. Another is the relief of the present debt burden through monetary inflation, a method certainly not calculated to strengthen the confidence of private investors. The third is a much longer step toward socialization of the problem than has yet been taken.

On this latter course we have already made a start. The owners of mortgaged homes have become a political factor, like the farmer. Many states have been able to do little more than attack the problem by means of legalized moratoria. The Federal Government, however, is supplying active aid in two general directions. The Home Owners' Loan Act, administered by the Home Owners' Loan Corporation, contemplates the refinancing of existing home mortgages of moderate amount to a total of 2 billion dollars. This program involves a scaling down of existing mortgages and their exchange for 5 per cent bonds guaranteed by the Government as to interest but not as to principal. Loans can be made up to 80 per cent of the value of homes valued at $20,000 or less. Similarly, the Farm Credit Administration is engaged in the refinancing of farm mortgages on a basis of capital scale-down and interest reduction. Both programs give promise of affording valuable re-

lief, but fall far short of anything like a complete solution.

More important to the early prospect for construction is the Federal Government's 3,300 million dollar program of public works. This is deliberately intended as a primer for the business machine, an off-set to the lack of private construction which formerly supplied so large an impetus. The Federal program is now being speeded up. It will undoubtedly help in coming months to reduce the ranks of the unemployed and to stimulate in measurable degree the forward movement in business.

It would be well, however, not to expect too much of it. The actual expenditure of 3,300 millions looms large in comparison with a former normal construction volume of some 6 billions a year, but the Federal expenditure will necessarily be spread out over a period of several years. Much of the work authorized, such as the Tri-Borough Bridge in New York City and other ambitious undertakings, can not be completed in haste. Nevertheless, the Federal program, superimposed upon at least a moderate tendency toward revival in private construction, insures some further progress. This will bolster the earnings of the stronger corporations engaged either directly or indirectly in construction — earnings now none too favorable — but in all probability will neither restore the full earning power of former years nor restore the industry to its old place in our economic pattern.

Finally, we are by no means at the end of our economic and social resources. The New Deal at Washington has just started. It may in future turn to extending Federal credit more directly to construction, socially-planned, and especially to desirable home-building. The hard-ridden men of real estate are even now clamoring for such action. They argue that it would be just as safe as and more beneficial than many of the Government's present credit activities. Why not?

In the Next Issue

Business Recovery Now Hinges on Consumption

By Theodore M. Knappen

For Other Features See Page 507

Bank, Insurance and Investment Trust Stocks

IMPORTANT ISSUES

Quotations as of Recent Date

BANK AND TRUST COMPANIES

	Bid	Asked
Bankers (3)	59¼	61¼
Brooklyn (4)	109	114
Central Hanover (7)	128½	132½
Chase (1.40)	26¼	28¼
Chemical (1.80)	37¼	39¼
City (1)	28⅜	30⅜
Corn Exchange (3)	50	52
Empire (1)	19¾	21¼
First National (100)	1390	1440
Guaranty (20)	314	319
Irving Trust (1)	18¼	19¾
Manhattan Co. (2)	27⅞	29⅞
Manufacturers	15⅝	17⅛
New York (5)	96½	99½
Public (1.50)	34	36
United States Trust (70)	1620	1670

INSURANCE COMPANIES

	Bid	Asked
Aetna Fire (1.60)	33⅜	35⅜
Aetna Life	21¾	23¾
Carolina (1)	15⅞	17⅞
Glens Falls (1.60)	27¾	29¾
Globe & Rutgers	40	50
Great American (1)	16⅝	18⅛
Hanover F. (1.60)	26⅝	28⅝

INSURANCE COMPANIES—(Continued)

	Bid	Asked
Hartford Fire (2)	44⅛	46⅛
Home (1)	19¾	21¼
National Fire (2)	42¾	44¾
North River (.60)	16⅛	18⅛
Stuyvesant	4	6
Travelers (16)	401	416
United States Fire (1.20)	29⅜	31⅜
Westchester F. (1)	19¼	21¼

SURETY AND MORTGAGE COMPANIES

	Bid	Asked
Bond & Mtg	2⅜	3⅞
Lawyers Mortgage	1½	3
National Surety	4⅛	4½

INVESTMENT TRUST SHARES

	Bid	Asked
Amer. Founders Trust 7% Pfd.	14	17
Collateral Tr. Sh.—A	5	5⅛
Amer. & Gen. Sec. $3 Pfd.	33	43
Interl. Sec. Corp. of Amer., Pfd.	15	19
Do Cum. Pfd.	15	19
No. Amer. Trust Shares	249	270
Second Intl. Securities A.	2	5
Do 6% Pfd.	18	22
U. S. & British Internl. Pfd.	7	11
Uselps Voting Shares	.93	1.02

Readers' Forum

(*Continued from page 532*)

time deposit before its maturity, or waive any requirement of notice before payment of any savings deposit *except as to all savings deposits having the same requirement.*"

Would not these words, if they are to have any meaning at all, have this meaning: that the requirements as to notice of withdrawal of savings deposits might be waived, provided the notice is waived as to all savings deposits in a given institution? To the undersigned it seems that the legislative intention was to provide against discrimination rather than against the non-exercise of the right to demand notice on the part of savings banks as to savings deposits.

We would be glad to know what Mr. Hemphill's reaction is to the above suggestion.—F. H. Houghton, Vice-President, Cleveland Trust Co.

The question raised by Mr. Houghton, will no doubt require clarification by some subsequent amendment, unless the complete re-organization of our banking system, which I anticipate, renders such action unnecessary.

Taken in connection with the rather limited debate, it is quite clear that the sponsors of the amendments had in mind provision for possible conflicting state laws which might place member banks at a disadvantage with state competitor banks in the same community.

The clear central purpose of these amendments, however, was to distinguish sharply between time deposits, bearing interest, and deposits subject to check, without interest, and to prevent evasion by any device. Any other construction would at once defeat these measures.—Robert H. Hemphill.

What's Ahead for the Market?

(*Continued from page 513*)

the banks do not loosen up adequately in lending, the next step will be more direct extension of Federal credit if it is needed to insure continuance of recovery. This would involve the further tapping of bank deposits by sale of Government securities, a development that has already gone to abnormal lengths. It would indirectly involve an expansion of credit—one of the most positive methods of "reflation"—but would place the responsibility of judging credit risks upon Washington.

While closely watching Washington, the markets are also looking with interest in two other directions. Pending European developments are not without significance to us. In terms of both the French gold franc and the London free gold market both sterling and the dollar continue a gradual drift lower. The former "peg" which maintained a stable relationship between the pound and the franc has been either abandoned or lowered. The pressure upon France and other gold standard nations will inevitably increase in coming weeks. It is not improbable that the entire world may be off gold within a period of months.

Such an event would unquestionably bring the fact of currency depreciation into sharper psychological focus. It might well be followed by the establishment of a free gold market here: that is, "free" to the extent that the Government would permit it to be. This would further bring to the public consciousness the reality of currency depreciation. From the longer point of view, abandonment of the gold standard by the entire world would most likely turn international efforts to the task of getting back on at new levels of valuation.

Retail Sales

Perhaps more important than what Europe does, we wait to see what the American consuming public will do in the next few weeks. Upon the volume of its spending depends success for N R A and a renewal of activity in industrial production, which, as shown by the current indexes of steel operations, electric power output and other mirrors of industrial activity, has continued to sag in more than seasonal measure.

Enlarged payrolls and higher farm prices are estimated to have added 5 billions of dollars to the national income. Complete department store and chain store sales figures for August show a gratifying increase. One of the largest chain systems, selling moderate-priced apparel in localities throughout the country, reports the gratifying gain of 32 per cent in August sales, as compared with the same month last year. There is no indication that the general gain has slackened during the first half of September, but whether it is sufficient in the aggregate to deplete existing stocks and stimulate renewed production remains to be seen. Comparison of dollar sales, moreover, with those of a year ago may to some extent be misleading, for the 1932 trend was downward. Even moderate gains this autumn would thus show an exaggerated percentage figure.

It should, of course, be borne in mind, as such reports are interpreted, that sales volumes currently shown are compared to a most unfavorable time of falling sales last year. Naturally this somewhat tempers the excellence of the showing, but it does not destroy their encouraging implication.

Bond Prices Hold Firm Against Inflationary Doubts

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holding good, sound bonds I face a probable loss in my capital's purchasing power of, say, 25% and a possible loss at the outside of double this. On the other hand, any individual common stock that might be selected as a substitute investment may never move marketwise. If this should happen, then the loss of purchasing power would be the same as in the bonds; and should the stock decline in price, the loss would be just that much greater. Can I afford to take such a risk, particularly in view of the fact that in bonds the loss of purchasing power will be offset to some extent by income and probably further offset by moderate price appreciation?"

In answering this question, most investors will arrive at a compromise. They will hold some bonds and possibly buy others in moderate quantities in order that part of their capital at least may be liquid and immune from anything approaching serious *price* depreciation. They may perhaps consider putting a portion of their investment funds into bonds of a lower caliber than normally would be considered, for the reason that as the general price level rises and business registers further improvement such issues should rise also in reflection of an improved standing. It will be found, however, that the number of medium grade bonds which have not already discounted an improved standing are not as easily found now as they were a few months ago and that rather than over-relax on quality requirements, it probably would be preferable to buy common stocks.

Aviation Enters a New Phase

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cerned. If this is so, here is yet another system which should prove enduring. In any event, it is away to a good start.

Pan-American Airways, together with the 50 per cent owned Pan-American-Grace Airways, presents the curious situation that from the point of view of route mileage, the largest American air transport company operates entirely outside the country. This system, having as its principal jumping-off place, Miami, serves the West Indies, Central America and both coasts of South America. Early this year Pan-American Airways became a partner with the Chinese National Government in operating the air transport system in that country and this step, while not particularly important in itself, may be looked upon as the gaining of an initial foothold in the Far East. Likewise, it is worth noting that Col. Charles A. Lindbergh, the company's technical adviser, is now surveying the possibilities of linking on regular schedules the old and the new worlds by way of the Northern route Active negotiations for using the Southern route, via Bermuda and the Azores, have been underway for some time.

The stock of Pan-American is closely held and it is probably no exaggeration to say that any one of the other three main systems would give their eye teeth to control it—Government permitting As it is, United Aircraft increased its investment in Pan-American last year to $1,686,000, representing not far from 10 per cent of the latter's outstanding stock. Furthermore, the aviation investment trust, National Aviation Corp. is steadily acquiring more Pan-American, its holdings at the end of last June standing at 65,447 shares, compared with 48,000 shares at the end of 1932. General Motors' aviation interests also are said to control some Pan-American stock. In view of what is happening, it is not inconceivable that the individual stockholder in this company may find himself one of these days in one of those very nice and profitable minority situations.

With this rough background of the country's aviation interests, some consideration may be given to the outlook for traffic and revenues. The long-term traffic outlook is clearly excellent. Through all the years of depression, the passenger and express divisions have shown steady increases, and mail, too, undoubtedly would have made a similar showing but for the unfortunate increase in postal rates which took place a year ago last July. The rise in postal rates from 5 cents to 8 cents an ounce found immediate reflection in lower poundage. For the first six months of this year the amount of air mail flown registered a reduction of nearly 16 per cent compared with the first six months of 1932, whereas number of passengers increased 2.3 per cent, passenger miles nearly 28 per cent and express nearly 22 per cent.

It does not appear likely, however, that legislation which so drastically reduced the volume of air mail will be allowed to stand. The next Congress may well cut the rate on letters to the old level of 5 cents, make provision for a special letter-card at 3 cents and an ordinary post-card at 2 cents. If this were done air-mail volume would again increase to the general better-

Among the Principal Aviation Companies

Name	Stock's Recent Price	COMMENT
Aviation Corp. (Del.)	$11	E. L. Cord controlled transcontinental system. Earned 13 cents a share first half 1933. Long-term possibilities interesting.
Cord Corp.	11	This is virtually Aviation Corp., diluted with Auburn Automobile and a number of miscellaneous minor interests.
Curtiss-Wright Corp.	3	One of the most important aircraft manufacturers in the country. Earned $423,000 first half 1933. Interest in this company can be obtained through Sperry.
Douglass Aircraft Co.	15	Important maker of military craft which recently entered the big transport field. Interest in company can be obtained through North American Aviation.
General Aviation Corp.	8	General Motors' first string subsidiary, holding among other investments some 43% of North American Aviation.
National Aviation Corp.	12	Investment trust of the aircraft industry. Principal holdings Pan-American Airways and Western Air Express, the latter being part of General Motors system. Asset value June, '33, $13.35.
North American Aviation, Inc.	7	General Motors second string subsidiary. Made a small loss for the first six months of 1933.
Pan-American Airways Corp.	56	The closely held American operator of routes abroad. Expanding fast. Earned $1.36 a share for 1932.
Sperry Corp.	6	New company built of Sperry Gyroscope, Ford Instrument and large holdings in Curtiss-Wright.
United Aircraft & Transport Corp.	37	Completely integrated transport and manufacturing unit. Earned 50 cents a common share first six months 1933.

ment of the service, equipment and personnel.

Arriving at the question of revenues and profits in air transport, one is confronted with the impenetrable—the action to be taken by a department of the Government. At the present time, none of our air lines can maintain operations, let alone improve facilities, without governmental aid. To date, this has taken the form of greater payments for carrying mail than was taken in by the sale of airmail stamps. The Post Office Department payments are the backbone of the industry. They represent between 60 per cent and 80 per cent of the revenues received by major transport companies. These payments for companies operating domestically have been summarily reduced and for the present year are to be $14,000,000, compared with nearly $20,000,000 for the previous fiscal year. Also, it must be remembered that passenger fares have been reduced drastically and are now in the neighborhood of 6 cents a mile, or little more than it costs for the better class of surface travel. Because of these reductions in revenues and because technical improvements continue to come fast in such a young industry, adding to obsolescence and maintenance charges, it is to be doubted whether any of the domestic companies are more than breaking-even at the present time.

The situation in regard to Pan-American Airways is somewhat different to companies operating domestically, for the former operates under long-term contracts with the Government and for this reason is protected against any such sudden and violent reductions as have taken place in the domestic service. Moreover, Pan-American is receiving—doubtless justified by all the pioneering which this company has done and is currently doing—four or five times as much per mile from the Government as the companies operating within the boundaries of the United States.

Whether the American air transport industry is to develop from this point smoothly and rapidly is clearly a question of Government policy. With reasonable aid at this crucial point in its development it can be trusted to do so, gradually gaining independence and eventually making handsome profits for its stockholders. Yet the Government must not aid by money grants alone, but also by the exercise of a certain amount of intelligent control. All varieties of cut-throat competition which would probably lower the high standard of safety which is being built up will do untold damage and must be kept in check, even though we verge on monopoly—hated word. On the other hand, should the Government carry its economy program over-far, taking the shortsighted view, American air transport will develop but slowly at the best and with many technical and corporate breakdowns. Moreover, the transport future is also the future of the manufacturer. Military contracts, either for our own Government or for foreign countries, may be calculated upon to give the makers of such equipment from time to time a little additional prosperity. But by and large, and over the longer term, the manufacturer must look to transport for his greatest market.

Assuming that the great possibilities in aviation have been envisaged—a task requiring little, if any, imagination—a decision on what the Government is going to do in regard to future air mail payments is the first real and the most important step to be taken by anyone contemplating an investment in the industry. Should this be settled on the side that the Government will foster rather than kill—and, of course, recognizing clearly that dividends from the common stocks of aviation companies is a thing of the more distant future, for, of course, the Government is not going to subsidize the industry to the point of common dividends — immediately comes the problem of specific choice among the many companies in which it is possible to obtain an interest. Also, shall one take one's aviation neat, or shall one take it diluted, and if diluted, how diluted, and with what? Truly the industry presents an ample choice!

On the side of making the commitment in an out-and-out aircraft company, it may be said that the selection is clean cut—there is only one thing to watch, aircraft, one knows for what one is paying, and on what one is speculating. On the other hand, dilution is merely another name for diversification and this has proved at times advantageous. The degree of dilution is, of course, a matter for the individual to settle for himself. Carrying the matter to extremes, he can obtain, for example, a touch of aviation by buying Du Pont, which owns a big block of General Motors' stock, which in turn is a power in field—but so weak an aviation mixture would admittedly satisfy no enthusiast, all of whom undoubtedly will elect to take a more direct participation.. The principal possibilities for a speculative sally into the aviation field are listed in the accompanying table, with comments calculated to aid in the final selection.

In the Next Issue

What Is the Outlook for the Offspring of Drug, Inc.?

Vick Chemical Bristol Myers Sterling Products Life Savers United Drug

By John D. C. Weldon

The recent split-up of Drug, Inc., into its constituent companies has resulted in five new enterprises which must fend for themselves. At the outset each is in a fair cash position—but what of the future? Do you know how to extract the cream from the Drug split-up? Which of these companies offer the greatest profit possibilities for investors?